Comprehensive Plan/Zoning Map Amendment Request

Planning & Development Services · 1800 Continental Place · Mount Vernon WA 98273
voice 360-416-1320 · www.skagitcounty.net/planning

Per RCW 36.70A.470(2), this form is intended for use by any interested person, including applicants, citizens, hearing examiners, and staff of other agencies, to request amendments to the Skagit County Comprehensive Plan/Zoning Map. Please do not combine multiple unrelated map amendments on a single form. This form is for changes to the map; use the Policy or Development Regulation Suggestion form for changes to those regulations.

Submitted By

Name	Bill Sygitowicz	Organization	Skagit Partners, LLC
Address	PO Box 29840	City, State	Bellingham, WA · Zip 98228
Email	BillSyg@VineDev.com	Phone	(360) 739-4089

Request Type

Choose one of the following:

General ☒ Site-specific map amendment, as defined in SCC 14.08.020(6), but NOT to a commercial/industrial designation.

C-I ☐ Site-specific map amendment to a commercial/industrial designation per SCC 14.08.020(7)(c)(iii).

Rezone ☐ Site-specific rezone without the need for a Comprehensive Plan Map amendment per SCC 14.08.020(7).

Area ☐ Area-wide map amendment.

Required Submittals

All map amendments and rezones:

- ☒ Fees (except area-wide map amendments)
- ☒ Land Use Map
- ☒ Lot of Record Certification
- ☒ Ownership Certification (if required below)

Commercial-Industrial map amendments and rezones:

- ☐ Site Plan
- ☐ Commercial/Industrial Phasing Plan; optional, see SCC 14.08.020(7)(c)(iii)

* Per planner Stacie Pratschner: Lot of record certification is not required at this time.

Subject Property

Site Address	See Property Parcel Information, Attachment B hereto.	City, State	· Zip
Parcel No(s)	See Attachment B hereto.	Existing Zone	
Acreage	1,244 acres total	Requested Zone	

Property Interest

Are you the owner of the subject property?

Yes ☐ Please attach Attachment A, Ownership Certification

No ☒ Describe your interest in the subject property: Please see attached.

Proposal Description

Please answer all of the questions below that are applicable to your suggestion.

1. *Describe your proposed amendment.*

The proposed amendment ("Avalon proposal" or "Proposal") to the Skagit County Comprehensive Plan ("Comprehensive Plan" or "CP") is to change the Comprehensive Plan designation of approximately 1244 acres of land ("Property") (approximately 49 acres of which is designated Rural and approximately 7 acres which is zoned Agricultural)1 from Natural Resource Lands, Rural Resource with a Mineral Resource Overlay to allow for development of a new fully contained community. Please see attached Proposal for details.

2. *Describe the reasons your proposed amendment is needed or important.*

The proposed map amendment is needed now to allow Skagit County to plan for additional population growth, new housing, and because Avalon will take years to develop after the current proposal is approved. Please see attached Proposal.

3. *Describe why existing Comprehensive Plan map designations should not continue to be in effect or why they no longer apply.*

Most of Avalon is zoned Rural Resource with a Mineral Resources Overlay. The gravel mines are either depleted or near-depletion and cannot be renewed. The small areas of Avalon not zoned with a Mineral Resources Overlay are not agriculturally significant. Please see attached Proposal.

4. *Describe how the amendment complies with the Comprehensive Plan's community vision statements, goals, objectives, and policy directives.*

The map amendment is necessary to allow the development of Avalon as a new fully contained community. Avalon would provide jobs, housing, green space, and myriad other benefits consistent with Skagit County's vision statements, goals, objectives, and policy directives. Please see attached Proposal.

5. *Describe the impacts anticipated to be caused by the change, including geographic area affected and issues presented.*

Expansion of urban services will be necessary. Geographical changes will be limited to the 1244 acres of Avalon. Please see attached Proposal.

6. *Describe how adopted functional plans and Capital Facilities Plans support the change.*

Some analysis at a later date will be required. The capacity of existing water and sewer services will need to be increased. Please see attached Proposal.

7. *Describe any public review of the request that has already occurred.*

Skagit Partners has submitted a similar proposal in previous years. Please see attached Proposal.

8. *Describe how the map amendment/rezone complies with Comprehensive Plan land use designation criteria in Chapter 2, the Urban, Open Space & Land Use Element; Chapter 3, the Rural Element; or Chapter 4, the Natural Resource Lands Element.*

The map amendment is consistent with Chapters 2, 3, and 4 of the Comprehensive Plan. Please see attached Proposal.

9. *Population forecasts and distributions.*

If you are proposing ***an urban growth area boundary change****, describe how it is supported by and dependent on population forecasts and allocated urban population distributions, existing urban densities and infill opportunities, phasing and availability of adequate services, proximity to designated natural resource lands, and the presence of critical areas.*

If you are proposing a ***rural areas or natural resource land map designation change****, describe how it is supported by and dependent on population forecasts and allocated non-urban population distributions, existing rural area and natural resource land densities and infill opportunities.*

The Property contains 1244 acres. All but 56 acres are Rural Resource with a Mineral Resources Overlay. The gravel mines on the property are depleted or near-depletion. The development of Avalon as a fully contained community would attract around 8,500 people who would otherwise not move to Skagit County. Please see attached Proposal.

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1 Parcel nos. P35896, P35772 and P35812 are designated Rural and parcel no. P36088 is designated Agricultural.

10. *If you are proposing a **natural resource land map designation change**, describe how the change is necessary based on one or more of the following:*

    (A) *A change in circumstances pertaining to the Comprehensive Plan or public policy.*

    (B) *A change in circumstances beyond the control of the landowner pertaining to the subject property.*

    (C) *An error in initial designation.*

    (D) *New information on natural resource land or critical area status.*

    The gravel mines on the property are depleted or near-depleted. Please see attached Proposal.

Notices

Fees. For review that requires more than 80 hours of staff time, the applicant will be billed at the hourly rate as shown on the fee schedule.

Refunds. If an application is not approved for further review under SCC 14.08.030(2), or when an application is withdrawn or returned before such a preliminary decision is made, a refund of not more than 80% may be authorized by the Planning and Development Services Director. Refunds must be requested in writing within 180 days of the date the fee is collected.

SEPA. The SEPA checklist and fee, if required, are due upon request from the Department if the Board of County Commissioners dockets this application for further consideration. This application may be considered complete without payment of the SEPA fee.

Docketing. SCC Chapter 14.08 governs the process for docketing of Comprehensive Plan amendments. Docketing is procedural only and does not constitute a decision by the Board of County Commissioners as to whether the amendment will ultimately be approved. Amendments are usually concluded by the end of the year following the request. State law generally prohibits the County from amending its Comprehensive Plan more than once per year.

Submission deadline. A complete application for a map amendment must be received by the last business day of July for docketing. Requests received after that date will not be considered until the following year's docket.

How to Submit. Submit your requests via email (preferred) to pdscomments@co.skagit.wa.us or to Planning & Development Services at the address above.

Property Interest

The Applicant, Skagit Partners, LLC has options to purchase from all of the subject property owners. (*See also*, Attachment ("Att.") A, Ownership Certification).

Proposal Description

1. Describe your proposed amendment.

The proposed amendment ("Avalon proposal" or "Proposal") to the Skagit County Comprehensive Plan ("Comprehensive Plan" or "CP") is to change the Comprehensive Plan designation of approximately 1244 acres of land ("Property") (approximately 49 acres of which is designated Rural and approximately 7 acres which is zoned Agricultural)[1] from Natural Resource Lands, Rural Resource with a Mineral Resource Overlay to allow for development of a new fully contained community. (*See* Att. D1 and D2, Land Use Maps[2]). A preliminary designation for a new fully contained community is being sought for the Property. This is a new designation.

Approximately 769 acres has development potential but only approximately 581 acres will be developed for residential use, with additional land set aside for services including without limitation, a school, community center, parks and trails. (*See* Atts. F-4, Potential Avalon Development Area and F-5, Preliminary Avalon Land Use Summary, GCH). The Property is located just east of Old Highway 99 and is bordered by Kelleher Road to the south and F&S Grade Road to the east. (*See* Atts. F-1, Skagit County Diagram and F-2, Avalon Site Context & Existing Utilities, GCH). A portion of the subject property is bordered by the Samish River on the north. (*See* Atts. D1 and D2, Land Use Map and F-4, Potential Avalon Development Area, GCH). This location will provide residents with quick convenient access to cities both south and north of the Property, which reduces dependencies on rural roads and allows for reasonable solutions to transportation concerns. (*See* Att. F-2, Avalon Site Context & Existing Utilities, GCH).

The Property includes the west slope of Butler Hill, the Avalon Golf Links, some near-depleted gravel mines, forested vacant land and six scattered single-family residences. The Property is located almost entirely outside the Skagit County Agricultural Land zone (with the exception of 7 acres) and is entirely outside the flood zone. (See Att. F-1, Skagit County Diagram, GCH).

Preliminary designation of the Property as a new fully contained community is the first step. Under the Proposal, upon project approval, the Property will automatically become a designated Urban Grown Area. Project approval will also establish allowed uses by way of new development code established through permit conditions and/or a development agreement. The Applicant also contemporaneously submitted amendments to Skagit County's Comprehensive Plan and development regulations and amendments to the Skagit County Countywide Planning Policies. (*See* Comprehensive Plan Policy or Development Regulation Amendment Suggestion Applications, filed July 31, 2018). These amendments are also required for the Proposal.

In support of this new fully contained community, the Applicant requests that Skagit County ("County") allocate an additional 8,500 people to its population allocation for Skagit County. This

[1] Parcel nos. P35896, P35772 and P35812 are designated Rural and parcel no. P36088 is designated Agricultural.

[2] Att. D, Land Use Maps, includes a map reflecting current Comprehensive Land Use designations obtained from www.skagitcounty.net (Att. D-1, "Current Map"), and a copy of the Comprehensive Plan Designations and Zoning Districts map dated 7/5/16 (Att. D-2, "2016 Map").

additional population represents an increase to the overall population figure planned for 2036 rather than a re-allocation of the current population figure for 2036. Currently, the County is utilizing a population figure of 155,452. (*See* "Skagit County Growth Projections, Summary of Methods and Results, July 2014", Berk Consulting; "Berk" or "Berk Report"). However, our research indicates that a new fully contained community will draw additional population that would not otherwise come to reside in Skagit County. Therefore, the proposed new fully contained community at Avalon is not within the forecasting parameters used to arrive at the 155,452 population number. An increase of 8,500 people would bring this population figure to 163,952.

The Skagit Council of Governments ("SCOG") in conjunction with ECONorthwest completed the Housing Inventory and Transportation Analysis in December 2017. (Att. GG, ECONorthwest, "Skagit Council of Governments Housing Inventory and Transportation Analysis," 12/17; herein "the SCOG Housing Report"). That report states that "the Washington State Office of Financial Management (OFM) projects net-migration into the county through 2025 to somewhat exceed net-migration totals from 2000 to 2010." (Id. at 8). The SCOG Housing Report also states that "[h]ousing production in Skagit County since 2010 has been slower than any decade in the last 40 years." (Id. at 3) Only 1,500 new housing units have been built since 2010. (Id.) Avalon offers a potential partial solution to this problem, as it will contain thousands of residential units in both multi-family and single-family configurations at a variety of price points. The housing pressure around the county will further encourage outside residents to move to Avalon, and though the Avalon proposal is not seeking to accommodate the population growth allocated to existing UGAs, current Skagit residents may choose to move to Avalon as well.

2. Describe the reasons your proposed amendment is needed or important.

a. Population growth

The proposed Map amendment is needed in large part because the County should plan for additional capacity to meet population growth in a manner that will not burden existing services but will rather provide a net economic benefit to local communities. Washington State's population continues to grow and the governments at the state and county level must continue to plan for the future. The population of Washington State is now 7.4 million people, an increase of 117,000 people since just last year. (Attachment DD, "Washington state added the population of Everett last year," KUOW, 06/27/18). Seventy percent (70%) of this growth is due to migration to the state. *Id.* The three-county region made up of King, Snohomish, and Pierce Counties is the sixth-fastest growing metro area in the county. (See Attachment CC, "New census numbers show just how crowded we're getting here," *Kiro 7*, 03/23/18). Additionally, county-to-county migration trends for the Puget Sound region demonstrate that people are moving out of King, Kitsap, Pierce and Snohomish Counties but re-locating elsewhere in Washington State. *(see* Att. R, *Puget Sound Trends* No. D7 June 2012, p. 2-3; *See also* Att. BB*, "Where We'll Grow,"* 4/25/15, Puget Sound Regional Council).

Skagit County is in close proximity to the greater King County metropolitan area and is in a prime location to absorb some of the population moving to and within Washington State. Mr. Jon Peterson, of Peterson Economics, studied market trends for new growth and concluded that, due to the unique attributes of the Avalon Property, it can provide an attractive, amenitized community, oriented primarily toward moderately affluent retirement-oriented buyers relocating from the greater Seattle area for lifestyle and affordability reasons. This community would also attract a variety of local-area resident buyers, as well as retirement-oriented buyers and others from various locations around the U.S., along with some potential buyers from the Vancouver metro area. A new fully contained community at Avalon will provide a significant boost to the economy of Skagit County. The new population will spend money in local shops and restaurants, hiring staff to help maintain their homes, etc. rather than compete with existing businesses. Full build out of such a community could generate between 600 and 1,000 new full-time-equivalent jobs in the Skagit Valley each year during the primary development period. Further, on-going operations of the community could account for 100 to 200 ongoing full-time-equivalent jobs (after several years of development). Finally, the new population will increase property tax revenues while placing a low burden on service providers due to the proposed demographic profile. (*See* Att. K, *Memorandum Report: A Summary Review of Current and Anticipated Future Market and Financial Support for a New Fully Contained Community of the Avalon Parcel*, Peterson Economics, July 2016, "Peterson Report").

Small towns with a long history of attracting affluent retirees (such as Bend, Oregon) provide a clear illustration of the benefits of developing similar communities and using property tax revenues to fund world-class parks, roads, schools, and other public services and facilities. (*See* Att. K, Peterson Report).

Skagit County's proximity to Everett also makes Skagit County attractive to working families. Lower home prices in Skagit County provide a more affordable option, with a high quality of life and less traffic. It is well known that the biggest employer of Skagit County residents is Boeing, and that the company will be building a new 777 airplane. People who work for Boeing will continue to move to Skagit County. These people increase the demand on the current housing supply and buildable land. Additionally, from the north, Whatcom County residents in search for different housing options are moving to Skagit County.

There is insufficient buildable land for growth in most of the larger Skagit County UGAs, let alone for the type of growth potential offered by a new fully contained community like Avalon. In order to reduce sprawl, urban growth is encouraged where adequate public facilities and services can be provided in an efficient manner. "Only about three percent of all land in Skagit County is designated urban." *CP, Urban Growth Areas, p. 33*. The unincorporated UGA Bayview Ridge ("Bayview Ridge ") has very little room for growth. (Berk Report, p. 4). Berk recommends that Bayview Ridge's population allocation for the 2015-2036 planning period be "reduced to 0.2% to recognize the small number of existing buildable lots (~22-23), and reallocated based on the current shares to remaining UGAs." (Berk, p.4). The CP does not include plans to add land to Bayview Ridge, the tribal Swinomish UGA or the other UGAs in the County. *See also,* discussion of population projections for Skagit County at Question no. 9 herein.

The time to plan for additional housing in Skagit County is now. In addition to creating a market for new demand as described in the above-mentioned recent Peterson Report, existing residents and expanding businesses in Skagit County would benefit from new housing options to attract and retain employees. Businesses are already citing the lack of housing as one reason they cannot attract the new employees needed to expand. (Att. FF, Stone, Brandon, "ESASC: Hosing shortage hurting economy," Go Skagit, 11/10/17) Potential business expansion requiring housing for employees include the Janicki Bioenergy's plan to expand its operations to the historic Northern

State Hospital property (North Cascades Gateway Center) for its clean water OmniProcessor technology, which has the potential for creating 1000 new jobs. (see Att. S, “Bill Gates backed company eyes historic Skagit County hospital site for major expansion,” *Puget Sound Business Journal*, 02/17/15; *See also* Att. V, Parker, Hilary, “EDASC-New Janicki project could bring 1000 jobs to County,” 03/03/15). As an anchor tenant for the Northern State Hospital property, Janicki has the potential of contributing jobs to Sedro Woolley. The question left unanswered is where will these new employees live?

Hexcel Corporation also recently expanded, creating additional jobs. (*See* Att. U, “Burlington aerospace supplier expands, partners with state to train workers,” *Puget Sound Business Journal*, 1/7/15). At a conference of EDASC, Michael J. Parks, editor emeritus of *Marple’s Business Letter,* shared his predictions for the County’s economy in 2015. Parks stated he “sees Skagit county and the greater Seattle area as a fertile oasis in a slow growth world.” (*See* Att. W, Parker, Hilary, “EDASC 2015 Forecast Dinner: Year of Growth, change predicted for Skagit County”, 03/02/15). Skagit County employment growth was 3.7% in 2014, while the state average was 2.7%. *Id.* Again, more housing is needed to support the job growth.

b. Housing

Skagit County, along with the rest of the nation, is currently facing a housing crisis. (See Att. GG; Kusisto, Laura, “The next housing crisis: a historic shortage of new homes,” *The Wall Street Journal*, 3/18/18[3]; Att. HH.) Fewer homes will be built between 2010 and 2020 than in any of the previous four-decade period in Skagit County. (Att. GG) There are a number of reasons for the decline in housing. One such reason is the decline of small, local builders and the relative rise of national, publicly traded builders, who prefer larger markets. (Lahart, Justin, “Big builders are remodeling the housing market,” *The Wall Street Journal*, 7/13/18.[4]) Another is the cost of land and lack of affordable lots. (Att. GG, Att. HH)

Avalon is a partial solution to the housing crisis. Avalon will contain thousands of homes, both multi-family and single-family, at various price points. These homes will likely be built by a national builder working in conjunction with small local builders. And, because Avalon is currently a large “blank slate,” building lots will be reasonably priced, enabling the construction of homes at many price points. Though many Avalon residents will be migrants to Skagit County from other parts of the state and British Columbia, some may also be current Skagit County residents.

c. Planning

The Avalon proposal may take the better part of a decade before it is ready to have its first buildings sold. If the planning process is not started now, then the housing, school, parks, and

[3] Article available at https://www.wsj.com/articles/american-housing-shortage-slams-the-door-on-buyers-1521395460. Skagit Partners does not have a license to distribute this article.
[4] Article available at https://www.wsj.com/articles/big-builders-are-remodeling-the-housing-market-1531474201. Skagit Partners does not have a license to distribute this article.

other services will not be available when needed in 8-10 years. For instance, it is well known that there is a need for a school in the northern part of the County. The Avalon proposal is an opportunity to address this need. Designation of a new fully contained community in the Comprehensive Plan, adopting new development regulations, and amending the county-wide planning policies, is the first step. Next will come a project application and ultimately, project approval. Once the Avalon Proposal obtains project level approval, the Property within the fully contained community will become a designated UGA. Plat approval and other site-specific approvals will follow, as will dedications of public space and SEPA compliance. Permitting from multiple agencies, engineering design and review for roads and utilities will be followed by the construction of the necessary infrastructure. After all these are done, houses will be built. Land should be designated *now* to allow for development of a new fully contained community at Avalon capable of providing an economic boost to Skagit County and accommodating expected growth.

3. Describe why existing Comprehensive Plan map designations should not continue to be in effect or why they no longer apply.

The current Comprehensive Plan map designation, *Rural Resource NRL with a Mineral Resource Overlay* (with the exception of approximately 49 acres of which is designated Rural and approximately 7 acres which is zoned Agricultural) should not continue because the Property no longer meets the *Mineral Resource Designation Criteria* set forth in CP Policy 4D-1.1. The Avalon proposal provides an opportunity to reinvent the uses for the Property for the County's future and requires a de-designation of the Property as mineral land.

The majority of gravel mines on the Property are either depleted or near depletion and can no longer produce the minimum threshold volume of gravel necessary to make the mines economically practical (Policy 4D-1.1(b)). The bulk of remaining minerals lay beneath a thick layer of glacial till which makes mining cost-prohibitive (Policy 4D-1.3(g)). There are a total of four gravel mines on the Property. Unlike other natural resources, minerals are not a renewable resource. Once the minerals are extracted, there is little sense to keep property under a mineral designation.

The gravel mine in the northwest corner of the Property (on the Miles property, known as the Samish Pit) is depleted. Operators are in the reclamation process with the Department of Natural Resources, preparing the land to prevent further degradation and for future use. The gravel mine in the southeast corner of the Property (on the Butler property) is in operation but it is near depletion. There is an active gravel mine on the west side of the Property (on the Curry property), but it is not expected to operate much longer before going through the reclamation process. The County currently operates a gravel extraction pit in the southwest corner of the Property. (*See* Att. E, Map of Property Ownership). Mining can continue in this pit as Avalon is built and is expected to be depleted by the time Avalon is fully built out.

The remainder of the Property has not been used for gravel mining in the past and is not suitable to be mined. Most of the Property was commercially timber-harvested more than 75 years ago and there is no reforestation plan in place. The remaining uses for the Property are appropriate for an urban growth area. The Property contains approximately 49 acres of land designated Rural Reserve (RRv). The Avalon proposal seeks to convert a relatively small percentage of the overall RRv to UGA. And the addition of these few parcels will not result in conversion of additional rural land. The Property contains 7 acres of Agricultural land which is not currently used for commercial agricultural production and is ripe for de-designation.

There are currently six single family residences scattered across the entire Property. The Avalon Golf Links course and its setbacks occupy approximately 230 acres and will continue operating, complementing Avalon and providing open space and recreational opportunities to residents and guests.

The Avalon proposal can also comply with GMA. Under RCW 36.70A.110(3), an urban growth area may be designated in four separate locations:

> Urban growth should be located first in areas already characterized by urban growth that have adequate existing public facility and service capacities to serve such development, second in areas already characterized by urban growth that will be served adequately by a combination of both existing public facilities and services and any additional needed public facilities and services that are provided by either public or private sources, and third in the remaining portions of the urban growth areas. Urban growth may also be located in designated new fully contained communities as defined by RCW 36.70A.350.

The proposal fits under the fourth location stated above, "urban growth may also be located in designated new fully contained communities." The County may establish a process for reviewing proposals to authorize a new fully contained community. RCW 36.70A.350. If the Avalon proposal is docketed, the County may approve a new fully contained community (FCC), so long as the criteria under RCW 36.70A.350 are met. As stated in response to Question No. 1, the County must allocate (reserve) a portion of its twenty-year population projection for the new FCC. This "reserve" is referred to as a "new community reserve" under the GMA. RCW 36.70A.350 (2). From a planning perspective, the "reserve" should take place upon approval of the proposed comprehensive plan amendments and development regulations. The final adoption of the new FCC results in a new UGA. RCW 36.70A.350.

4. Describe how the amendment complies with the Comprehensive Plan's community vision statements, goals, objectives, and policy directives.

Major Themes of the Community Vision (pp. 14-17) and description how amendment complies with statement.

Statement: Support economic opportunities. (p. 15)

The construction phase of Avalon will create a variety of jobs in the area. The National Association of Home Builders (NAHB) estimates that 2.97 jobs are created with the construction of one single family home. (*See* Att. AA, "Impact of Home Building and Remodeling on the US Economy," NAHB, 5/1/14). A report recently produced by the Skagit County Affordable Housing Advisory Committee entitled *Building a Skagit Housing Affordability Strategy, June 2016 Update*, notes that these jobs can become permanent with the number of housing units needed in Skagit County. (Att. II, p. 14.). With complete buildout expected to take at least 15 years, based on the Housing Report, it is estimated that building Avalon alone will result in 590-650 jobs. The Peterson Report estimates 600-1,000 new full-time jobs will be created during the construction season and 100-200 permanent jobs will result.

The economic benefits will manifest themselves in other ways in addition to new job creation. The principal target market of new moderately affluent residents will bring an infusion of capital and customers for existing local shops and restaurants. (*See* Att. K, Peterson Report). The demographic profile of most anticipated buyers (e.g., retirement or near-retirement age from King County) would place unusually low burdens on local public service providers, such as school districts, but will contribute a significant additional amount to local tax revenue. Peterson Economics estimates new *net* property tax revenue alone could grow by approximately $1 million per year, reaching about $10 million per year after ten years of sales. (*Id.*) This kind of additional annual tax revenue could help Skagit County develop and maintain world class parks, roads, schools, and other public services and facilities.

Statement: Increase the housing choices for all residents. (p. 15)

The Avalon proposal will provide a variety of housing types, likely including single-family homes, townhomes, and apartments/condos, and therefore more housing choices to existing and new residents of Skagit County. Also, the proposal will be required to meet all GMA and County requirements regarding affordable housing. The homes will be located in a UGA, close to amenities and encouraging walkability to commercial services and recreational opportunities.

There is a shortage of new homes being built nationwide. (Att. HH, "The State of the Nation's Housing 2018," Joint Center for Housing Studies of Harvard University, 2018.) Skagit County echoes this trend. (Att. EE, Sanders, Julia-Grace, "Housing prices up significantly in 2017," Go Skagit, 2/17/18.) Though not the primary target, it is anticipated that existing Skagit County residents will choose to move to Avalon given the lack of available supply within Skagit County. Additionally, new homes at Avalon may help alleviate some of the intense pressure on the housing market.

Statement: Balance urban uses and environmental protection. (p. 16)

The Avalon proposal will provide for urban-scale development while protecting the natural environment and open space, including trails and parks that will surround the developed area. The Applicant preliminarily anticipates land uses that will include parks, open space and trails. Also, the existing Avalon golf course will be a part of the new fully contained community. (See Att. F-5, Preliminary Avalon Land Use Summary). The entire Property is outside the flood zone and adjacent to existing urban areas. The Avalon proposal will be required to satisfy all County regulations relating to environmental protection.

Statement: Protect and retain rural lifestyles. (p. 16)

The Property is currently mostly designated as resource land with a minor portion designated as rural land. Avalon will encourage protection and conservation of open spaces and urban development patterns. Directing development into urban areas helps prevent development in rural areas that could lead to urban sprawl and suburban development patterns.

Statement: Protect and conserve the environment and ecologically sensitive areas, and preclude development and land uses which are incompatible with critical areas. (p. 16)

The Avalon proposal will be required to undergo SEPA review if its application is docketed and additional SEPA and critical area review following submission of a project application. The SEPA review and critical area review process will help inform a development design that is ecologically sensitive and which protects critical areas from future development and preserves them for the enjoyment of future generations.

Statement: Respect property rights. By incorporating trends of population growth and resource availability to provide necessary public facilities. By attaining the widest range of land uses without degradation, risk to health or safety, or other undesirable and unintended consequences. (p.16-17)

The useful life of the Property as resource land is nearing its natural end. The highest, best use of the Property for the future is residential use and the facilities and services which support a residential population. Converting the property to development of a new fully contained community will create an opportunity to provide public facilities and services to a central, densely populated area in an efficient manner. Upon project approval, the Property will include a wide-range of land uses, without degradation, risk to health or safety, or other undesirable and unintended consequences.

Chapter 2: Urban, Open Space and Land Use Profile

County Wide Planning Policies:

CPP 1.4 Urban growth areas shall include greenbelt[s], open space, and encourage the preservation of wildlife habitat areas.

CPP 2.1 Contiguous and orderly development and provision of urban services to such development within urban growth boundaries shall be required.

CPP 5.15 The Comprehensive Plan shall support and encourage economic development and employment to provide opportunities for prosperity.

CPP 9.1 Open space corridors within and between urban growth areas shall be identified. These areas shall include lands useful for recreation, fish and wildlife habitat, trails, and connection of critical areas.

Avalon has sufficient land area to meet the above policies. Greenbelts, open space, parks, and wildlife habitat are all part of the current vision for Avalon. As Avalon is being built from scratch, development will proceed in an orderly fashion and provision of utilities will be coordinated with construction of homes and other buildings. Avalon will support economic development by creating up to 1,000 new jobs during construction and up to 200 permanent jobs when fully built out.

Goals and Policies:

Goal 2A, Urban Growth Areas - Guide most future development into concentrated urban growth areas where adequate public facilities, utilities, and services can be provided consistent with the Countywide Planning Policies.

Goal 2A-1, Urban Growth Area Designation - Establish Urban Growth Areas in which urban development will be encouraged and outside of which growth can occur only if it is rural in character.

Avalon can meet the above goals. Adequate public facilities, utility and services will be provided to the Property. The eventual establishment of a UGA at Avalon through approval of a new fully contained community will ensure urban level development within specific boundaries, while preventing sprawl in Rural-designated lands in the County. The Avalon development will undergo extensive planning to ensure orderly development. Parks, opens space, and wildlife habitat corridors will be key features of the development.

Policy 2A-1.1 Work with local jurisdictions to designate and maintain Urban Growth Areas (UGAs) of sufficient size to accommodate the County's 20-year urban population and employment allocations. Areas proposed for UGA designation shall meet the following criteria:

a) Compact development can be accomplished through infill or expansion, while minimizing the fiscal and environmental impacts of growth and assuring opportunities for housing, jobs, and commerce.

Final designation of the holding area for the new fully contained community as a UGA will minimize the environmental impacts of growth by ensuring urban level growth is contained within the geographical confines of the Property. Much-needed housing and living-wage jobs will be provided by the development.

b) A range of governmental facilities and services presently exists or can be economically and efficiently provided at urban levels of service. These services include sewer, water, storm drainage, transportation improvements, fire and law enforcement protection, and parks and recreation.[5]

The Whatcom Water District #12 (also known as the Samish Water District, "District #12" herein) currently has capacity available to support a third of the development from Avalon proposal. District #12 provides sewer service to a number of communities in Skagit and Whatcom County. District #12 has numerous force mains that connect to its Burlington Force Main, which runs along the old Highway 99 (very near the western boundary of the Property) to the City of Burlington's wastewater treatment plant ("WWTP"). (*See* Att. G, Samish Water District Comprehensive Sewer Plan, Exhibit A, *General Sewer Facilities Map*; *see also* Att. H, Whatcom County Water District No. 12 Sewer Force Main Map – Lake Samish to City of Burlington, source: *City of Burlington 2005 Comprehensive Wastewater Plan*). In its 2013 Comprehensive Plan, District #12 notes that potential sewer growth along the Burlington Force Main is possible and that it may serve Glenhaven Lakes (1,250 lot potential at full build-out) in the future. (*Samish Water District Comprehensive Sewer Plan, July 2013*, p. 4-1). Future upsizing of the existing Burlington Force Main and upgrades to the existing Burlington WWTP would result sufficient capacity to serve the entire Avalon development. Additional sewer capacity from service providers with existing infrastructure (District #12 and Burlington) will be procured as urban development proceeds.

The City of Burlington WWTP is at approximately 50% of its capacity (average flow, 1.5 million gallons/day; capacity, 3.8 million gallons/day)[6] and could accommodate the early phases of Avalon. The City of Burlington itself is approaching its maximum size in population and the WWTP has adequate system capacity for regional components, including District #12 (*City of Burlington 2005 Comprehensive Wastewater Plan*, p. 8). The WWTP is scalable, meaning that it can expand without demolition of the existing plant.

The Skagit County PUD (PUD) has the authority and capability to provide water service throughout Skagit County. (*Skagit Co. Coordinated Water System Plan Regional Supplement*, p. 6-1). The PUD has sufficient capacity to supply water to the Avalon development. (*See* Att. O, letter from PUD,

[5] In July 2018, Skagit Partners confirmed that information relied upon from the various utilities in answer to this question has not changed since its 7/28/16 submission. Should new information become known, Skagit Partners will update its answer.

[6] http://www.burlingtonwa.gov/index.aspx?NID=241 (City of Burlington, Sewer System Data).

7/14/16). The PUD presently owns and operates an 8'' water pipeline along Kelleher Road, which may require upsizing to accommodate the Avalon development. (*Id.*) In 2007, the PUD waterline that runs along old Highway 99 to Burlington was upgraded, increasing its capacity by the installation of a gravity feed transmission pipeline (*PUD 2013 Water System Plan*, p. 2-12; *see* Att. I, Figure 2-12, Judy System – Transmission Pipeline Loop*, PUD 2013 Water System Plan*). The PUD also completed a high-pressure transmission pipeline along Cook Road to the east side of Interstate-5, which brings high pressure to the Old Highway Area 99 adjacent to the Avalon area. (*PUD 2013 Water System Plan*, p. 2-38; *see* Att. J, Figure 2-8, District Facilities – Rural Areas, *PUD 2013 Water Systems Plan*). There is sufficient capacity available to further upgrade the PUD system to serve additional phases of the Avalon development. The area already has a booster pump station and that can be upgraded to better accommodate the Avalon area (Att. J, Figure 2-8, District Facilities – Rural Areas, *PUD 2013 Water Systems Plan*).

The relatively flat terrain, gentle slopes, and highly permeable soils on the Property will allow for efficient management of stormwater runoff, as it migrates to Skagit Basin. The Avalon assemblage is well draining at site perimeter which is the natural drainage course for site runoff. Stormwater runoff is anticipated to be fully treated and infiltrated on-site at various locations around the site perimeter.

The Property is centrally located to both Interstate-5 and Highway 99, providing easy vehicular access.

Additional fire and law enforcement protection will be required for the Avalon proposal. Areas for future parks will be set aside as part of the development plan. Area can be set aside for a new school. All of these service needs will be evaluated in the SEPA process and provided as required. The current Avalon Golf Links already provides recreation opportunity on the Property. A lake near the southeast corner of the Property will provide additional recreational opportunities and may be expanded or enhanced. The ability exists to set aside other areas for recreational uses as part of the development plan.

Urban services can be economically and efficiently provided to Avalon at a lower cost than other large scale planned communities. (*See* Att. Q, Letter from KPFF re: Avalon Infrastructure Context, 7/28/16). These services include, transportation, water and sewer. (*Id.*)

c) The area has a physical identity or social connection to an existing urban environment.

The Property is located just east of old Highway 99 and is bordered by Kelleher Road to the south and F&S Grade Road to the east. A portion of the subject property is bordered by the Samish River on the north. (*See* Att. F-2, Site Context). The Property is well situated and close to existing cities in Skagit County. Residents will have quick and convenient access to Burlington, Mt. Vernon, and Sedro Woolley.

d) Natural features and land characteristics are capable of supporting urban development without significant environmental degradation.

The topography of the Property is capable of supporting urban development without significant environmental degradation. There are no known salmon-bearing streams on the Property. The proposed development will incorporate large swaths of the Property that have been depleted by years of gravel mining, so urban development will not have significant environmental impact. The County's regulations ensure that portions of the Property with environmentally sensitive characteristics will be protected from environmental degradation.

In addition, there are promising mitigation areas and opportunities for environmental enhancement on the Property to offset any disturbances. In particular, an opportunity exists to establish a wildlife corridor north of the lake located at the southeast corner of the Property running along the east edge of the Property, and also at the northwest corner of the Property running north to the Samish River.

e) The land does not have long-term, commercially significant value for agriculture, forestry, or mineral production and that can accommodate additional development without conflicting with activities on nearby natural resource lands.

The Property does not have such value. The Property is outside the Skagit County Agricultural land (with the exception of 7 acres). The Property does not support commercial forestry use and mineral resources are depleted or near depletion. The Avalon proposal will not impact nearby agriculture or timber production.

Policy 2A-1.2. … Urban Growth Area expansion proposals shall demonstrate that expansion is necessary within the 20-year planning period, that public facilities and services can be provided concurrent with development, and that reasonable efforts have been made to encourage infill and redevelopment within existing Urban Growth Area boundaries before those boundaries can be expanded.

The Applicant requests an upward adjustment of 8,500 in the current population forecast, to allow for appropriate planning for the next 20 years in Skagit County and to be reserved for the specific purpose of accommodating the proposed new fully contained community at Avalon. The current 20-year population forecast does not account for the proposed new fully contained community at Avalon intended to draw additional residents to Skagit County. The current Skagit County Comprehensive Plan, development regulations, or county-wide planning policies do not include any provision authorizing new fully contained communities, so there was no need to allocate or reserve additional population for a proposed new fully contained community at Avalon. Quite simply, a new fully contained community at Avalon, with all the amenities, and intended to draw new residents to Skagit County, was outside the population forecasting parameters used to develop the current population forecast. If a new fully contained community is preliminarily designated at Avalon as proposed, a new population forecast should be approved with a population reserve of 8,500 allocated to Avalon.

The requested upward adjustment to the 20-year population forecast will also provide an additional cushion in the event more capacity than anticipated is needed to meet the housing needs of the community in the 2016-2036 planning period. Population forecasts predict continued growth and economic recovery is resulting in the continued expansion of industry in the area (*e.g.*, Janicki Bioenergy and Hexcel Corporation, as outlined in the response to nos. 2 & 9 herein). Many Skagit County cities have all but reached their growth capacity limits. Public facilities and services can be provided concurrent with development (see details regarding water and sewer above). In answer to Question No. 1, there is likely insufficient buildable land in the County for the proposed additional population allocation.

Policy 2A-1.5 Overall residential densities within Urban Growth Areas shall be a minimum of four (4) dwelling units per net acre, when urban services are provided. "Net density" is what results when only the area of the residential lots is counted, not roads, open spaces, drainage facilities, or other site uses that are not residential.

> The Avalon proposal will be developed to meet or exceed the minimum density requirement, consistent with the above policy.

Goal 2A-2, Concurrency - Adequate urban public facilities and services shall be provided concurrently with urban development, as appropriate for each type of designated land use in the Urban Growth Area.

> Avalon will provide for more than adequate urban facilities and services concurrent with urban level development consistent with the above policy.

Policy 2A-2.1 Encourage growth in areas already characterized by urban development or where the appropriate levels of urban public facilities and services are established in adopted capital facilities plans.

a) Ensure that adequate urban public facilities and services are provided in Urban Growth Areas concurrent with urban development.

> Avalon will be developed such that adequate urban public facilities and services will be provided concurrent with urban level development. The County's Capital Facilities Plan will need to be updated to reflect the addition of the Avalon development.

Goal 2A-3, Urban Services - Within the designated Urban Growth Areas, coordinate with the respective local jurisdictions and other service providers within the Urban Growth Areas to ensure that growth and development are timed, phased, and consistent with adopted urban level of service standards.

Policy 2A-3.1 Urban public facilities include: improved streets, roads, highways, sidewalks, road lighting systems and traffic signals; urban level domestic water systems, sanitary sewer systems, storm sewer systems, park and recreational facilities and schools as defined in the Capital Facilities Element with adopted level of service standards.

Policy 2A-3.2 Urban public services include fire protection and suppression; emergency medical services; public safety; public health; education; recreation; environmental protection; and other services as identified in the Capital Facilities Element with adopted level of service standards.

CPP 1.3 Urban growth areas shall provide for urban densities of mixed uses and shall direct development of neighborhoods which provide adequate and accessible urban governmental services concurrent with development.

> Consistent with the above goals and policies, the Avalon proposal will provide a variety of housing types, mixed uses (private and public), and walkable neighborhoods. Excellent access will be provided to a broad array of services, parks, and connecting trails, all designed to provide an attractive lifestyle for area residents. All necessary urban public facilities exist nearby, which may be efficiently upgraded to meet required standards.

CPP 1.4 Urban growth areas shall include greenbelt, open space, and encourage the preservation of wildlife habitat areas.

The Avalon proposal will include mixed uses at urban densities and will be developed and built out in conjunction with the provision of urban governmental services. (*See* discussion re water, sewer and storm water above). Transportation plans, and water and sewer plans will require amendments to properly plan for the development. Also, the Capital Facilities Plan will require amendments to address specific requirements of the development. (*See* above explanation of available water and sewer capacity). Ample parks and open space will be set aside in the Avalon development. *See* above. *See also,* above explanation of potential wildlife habitat corridors.

Goal 2A-5, Commercial Development - Encourage commercial and industrial development to locate in well-defined centers within the Urban Growth Areas. Prohibit new zoning that furthers the continuation of strip commercial development.

Policy 2A-5.1 Plan for compact commercial and industrial centers in the Urban Growth Areas and provide infrastructure accordingly.

Policy 2A-5.2 Attract commerce and industry to designated areas within Urban Growth Areas by ensuring an adequate supply of land with adequate urban public facilities and services.

The Avalon proposal will include small planned commercial and possibly light industrial centers, with infrastructure sufficient to support the centers. Centers and pockets for conveniently located commercial development will be designed and sited to blend in with the surrounding community, and offer options within walking distance of nearby residences. Strip commercial development will not be allowed. Sufficient infrastructure for commercial and light industrial centers will be provided as required by the County.

Goal 2A-6, Quality of Life – Ensure a high quality of life within Urban Growth Areas.

Policy 2A-6.1 Foster development within Urban Growth Areas that creates and maintains safe, healthy and diverse communities. These communities should contain a range of affordable housing and employment opportunities, and school and recreational facilities, and be designed to protect the natural environment and significant cultural resources.

The Avalon proposal can be planned to ensure that a safe, healthy and diverse community is developed. Diverse and walkable neighborhoods will be located near commercial centers and pockets for shopping and services. Residents will be able to conveniently walk, bike, or drive to shops and stores integrated into the community. In addition to some affordable housing, commercial and possible small-scale light industrial development at Avalon will create new jobs. The new community of 8,500 will include a population who require services, which will result in the creation of professional service-related jobs. Avalon will include space for a new school, public athletic facilities, public parks, walking and bicycle trails, and other amenities. One of the centerpieces of the community will be the existing Avalon Golf Links. Overall, Avalon will generally provide a high quality of life to its residents and improve the recreational, educational, and career opportunities for Skagit County residents.

Policy 2A-6.2 Adopt plans, policies, codes and development standards that promote public health by increasing opportunities for residents to be more physically active. Such actions include: concentrating growth into Urban Growth Areas, promoting more compact urban development, allowing mixed-use developments, and adding pedestrian and non-motorized linkages where appropriate.

The Avalon proposal will provide compact urban development with residences and commercial uses and will provide a series of pedestrian and non-motorized sidewalks, pathways, and trails to promote physical activities among and interaction between its residents and guests.

Policy 2A-6.3 Concentrate facilities and services within Urban Growth Areas, using urban design principles, to make them desirable places to live, work, and play; increase the opportunities for walking and biking within the community; use existing infrastructure capacity more efficiently; and reduce the long-term costs of infrastructure maintenance.

The urban design of the Avalon proposal, which enjoys the advantage of being a "blank slate" around a beautiful high-end golf course, will be carefully planned to strategically locate public facilities and services in centers or pockets so as to provide residents with easy access by foot, bike, or car, and to blend into the community. Furthermore, subject to capacity increases, Avalon intends to use nearby portions of District #12's (Samish Water District) and the City of Burlington's existing infrastructure for sewer service and treatment; and Skagit County PUD No. 1's existing infrastructure for municipal water service.

Chapter 3: Rural Element

As noted, approximately 49 acres of the Property is designated Rural Reserve ("RRv"). RRv contains a maximum allowed residential gross density one residence per five acres. (CP 3C-1.1) These few properties border the larger area designated with Rural Resource-NRL. The RRv parcel in the northeast corner of the Property is adjacent to RRv to the east. The RRv parcel in the northwest quadrant of the Property is adjacent to RRv to the west. There are currently 70,378[7] acres in the County designated RRv. (CP Chapter 2, Table 1, p. 31). Therefore, the Avalon proposal seeks to convert a very tiny percentage (0.07%) of the overall RRv to UGA. And, given the contained nature of the Avalon proposal, the addition of these few parcels will not result conversion of additional rural land. Further, by providing a variety of housing types in an attractive community, the Avalon proposal should reduce pressure for more intense development of rural lands in other parts of the County.

Goal 3A, Protect the rural landscape, character and lifestyle by…:

Policy 3A-1.1 … Analyze development trends to determine if changes in land use designations are necessary or additional regulatory techniques or measures are needed to assure compliance with targeted urban/rural population distribution goals.

The Avalon proposal is consistent with Goal 3A, and helps protect the rural landscape, character, and lifestyle. (CP 73). The Avalon proposal is also consistent with the above policy as re-designation of rural land is necessary for the County to reach its urban distribution goals. Rather

[7] Or 70,740 acres, per Comprehensive Plan, Chapter 3, Table 1, p.62.

than sprawling development, the Avalon proposal presents an opportunity for a contained well-planned urban development.

Chapter 4: Natural Resource Lands Element

As noted, approximately seven (7) acres of the Property is designated Agricultural (Ag-NRL) on the north side of Kelleher Road and west of a drainage ditch. There is a total of 89,277 acres of land zoned Ag-NRL; this parcel makes up 0.008% of all Ag-NRL land. The parcel is not presently used for agriculture because it is wet. It is understood that in the last three years the parcel has only been mowed and no agricultural production is taking place. The parcel has no long term commercial significance for agricultural uses. Also, the landowner, Frederick Butler, is in favor of including his land in the Avalon proposal. Certain land was included in the ag-NRL designation in order to create logical boundaries to the designation and not because it meets the criteria for designation as agricultural land. There is one such parcel, in the lower southeast corner of the Property (parcel id no. 36088). (*See*, Att. B, Parcel Information and Atts. D1 and D2, Land Use Map). Therefore, this parcel is ripe for de-designation from the Agricultural designation.

Policy 4A-3.1 Designation of Agricultural Lands is intended to be long-term. De-designation is discouraged, but may be considered only when compelled by changes in public policy, errors in designation, new information on resource lands or critical areas, circumstances beyond the control of the landowner, or an overriding benefit to the agricultural industry. …

The parcel at issue is not being utilized for long term commercial production and was probably erroneously designated in the first place. Due to the need for additional buildable land, de-designation is compelled by this new information.

CPP 8.4 Mining sites or portions of mining sites shall be reclaimed when they are abandoned, depleted, or when operations are discontinued for long periods.

Goal 4D-1, Mineral Resource Designation Criteria - Designate and map long-term commercially significant mineral resource lands as an overlay to the Comprehensive Plan Map.

Policy 4D-1.1 Mineral Resource Designation Criteria

Marketability. …

Minimum Threshold Volume. …

Policy 4D-1.3 Mineral Resource Designation Considerations. All lands meeting the criteria in Policy 4D-1.1 shall be further reviewed considering the following additional criteria. … g) Depth of the resource or its overburden does not preclude mining;

See answer to Question No. 3 above for the reasons why the Avalon proposal is consistent with the above goals and policies.

Chapter 5: Environmental Element.

The Environmental Element contains many policies and goals which pertain to the County's identification of critical areas and adoption of regulations which protect critical areas. The Avalon proposal will comply with all of the County's regulations.

Policy 5A-5.2 Land uses that are incompatible with critical areas shall be discouraged.

The majority of the Avalon Property is outside critical areas; the wetlands and lake on the Property will be protected from development in compliance with County policies and regulations. The Applicant will be required to comply with all Skagit County regulations and plans, including Shoreline Master Plan, Natural Hazards Mitigation Plan, and the various Regional Water Resource Plans.

Chapter 7: Housing Element

This chapter supports the Avalon proposal because it identifies market trends for an aging "baby boomer" population that need places to live, and prefer a newly built home. It also identifies the need for more dwelling units in Skagit County. The Avalon proposal seeks to satisfy both of these needs.

Trends show that younger buyers are more likely to buy older homes or previously owned homes because of the price benefits and value compared to a new home, while baby boomers are more likely to buy a new home in order to cut down on renovation and maintenance (National Association of Realtors, 2014). In addition, younger buyers place a high priority on proximity to their job and associated commuting costs and other amenities and don't necessarily [intend on] staying in their home for the long-term (National Association of Realtors, 2014). (p. 189). Homes at Avalon will be new which is attractive to baby boomers and near to jobs to attract younger buyers.

The 2013 ACS estimated an average overall household size for renters and owners of 2.6. At this household size, there would be a total demand for more than 13,700 new occupied dwelling units, not accounting for vacancy. Assuming a future vacancy rate between 5 and 10 percent, the total need for housing in 2036 would be between 14,489 and 15,294 units. At a steady rate of production between 2015 and 2036, this will mean that between 690 and 728 units will need to come on line each year, with around twenty percent of these new units in rural areas and the remaining in urban areas. This annual future need is significantly more than the rate of production in recent years, which averaged less than 250 annually between 2009 and 2013. See Table 16. (p.207-208). The homes at Avalon could help alleviate the shortage between the housing that is needed and the housing that is built in Skagit County.

CPP 4. Housing - Encourage the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock.

CPP 4.1 Local governments shall allow for an adequate supply of land use options to provide housing for a wide range of incomes, housing types and densities.

CPP 4.3 The Comprehensive Plan should support innovative land use management techniques, including, but not limited to, density bonuses, cluster housing, planned unit developments and the transfer of development rights.

CPP 4.6 Comprehensive Plan provisions for the location of residential development shall be made in a manner consistent with protecting natural resource lands, aquatic resources, and critical areas.

Goal 7A, Housing Quantity – Ensure that the supply of housing and sufficient land capacity keep pace with population growth in the County.

Policy 7A-1.1 Work with housing producers and stakeholders in urban and rural areas to apply creative solutions to infill and development using techniques such as attached dwelling units, co-housing, home-sharing, accessory dwelling units, clustering, planned unit developments and lot size averaging, consistent with the community's vision for urban growth areas and rural character.

Policy 7A-1.4 Ensure zoning and subdivision regulations provide for the efficient use of lands for residential development where appropriate to increase available land supply and opportunities for affordable housing to match the demographic and economic housing needs of the County's current and projected population.

Policy 7B-1.3 Establish development standards and design guidelines for Urban Growth Areas, Rural Villages, and large CaRD developments, to promote efficient, pedestrian friendly, and attractive communities.

Construction of new homes is not on track to meet demand in Skagit County. According to the SCOG Housing Report, Skagit County is on track to produce fewer new homes this decade than in any of the previous four-decade periods. (Att. GG at 3.) Consistent with the above goals and policies and as discussed in detail in the response to question no. 2 above, there is a great need for additional housing in the County at all price points and in both single-family and multi-family configurations. Avalon can offer a partial solution to this problem. SCOG Housing Report suggests that some of the biggest barriers to housing development in Skagit County are regulatory. Most land is zoned single-family. There is a lack of sizable, vacant land for multifamily housing. (Id at 13) Avalon would contain large swaths of land that could be dedicated to multifamily housing, townhomes, and densely-packed single family homes. This might alleviate some of the pressure on the very tight housing market. Also, GMA requires that the Avalon proposal provide affordable housing.

In addition to homes at Avalon attracting existing Skagit County residents, a principal market for the Avalon proposal is retired or near-retirement aged moderately affluent people from the greater Seattle-King County metropolitan area looking for a new home at a lower price. (*See* Att. K, Peterson Report.) These new residents are expected to produce an ongoing significant net positive outcome for local communities in revenue growth. In addition, designation of the Property to a UGA now will help ensure that the County has a sufficient land supply (including urban densities) and time for proper urban planning to meet the needs of forecasted population. The Applicant will work with the County to develop a plan to ensure that an efficient, pedestrian friendly, and attractive community is built.

Goal 7C, Housing Distribution And Accessibility - Strive to ensure that a variety of housing types, densities, and values can be produced in the rural area, Urban Growth Areas, and Rural Villages appropriate to the character of the individual communities. Additionally, ensure sufficient infrastructure capacity is available to accommodate growth and provide housing opportunities for all economic segments of the population.

Policy 7C-1.1 Allow mixed residential and commercial uses in Urban Growth Areas and Rural Village commercial districts to promote housing affordability and availability.

> The Avalon proposal will provide a variety of housing types from condos/apartments to small cottage homes to larger more traditional single-family homes. The variability in housing choice will produce a wide price range which will greatly enhance the affordability and availability of housing in Skagit County. As previously stated, the Property enjoys excellent access to existing infrastructure capable of additional capacity, which should lower development costs, and commercial development will be interspersed with residential development for walkable neighborhoods.

Chapter 8: Transportation Element

Goal 8A-6, Non-Motorized Transportation Network - Provide a safe and efficient network of trails and bikeways, including both on- and off-road facilities that link populated areas of the County with important travel destinations. Achieve high standards in meeting the needs of non-motorized users through appropriate planning, design, construction and maintenance of user-friendly facilities. . . .

Policy 8A-6.4 Provide for the diverse needs of bicycle, pedestrian and equestrian modes through appropriate routing and the utilization of single-use and shared-use facilities. . . .

Policy 8A-6.9 Promote non-motorized transportation as a viable, healthy, non-polluting alternative to the single-occupancy vehicle.

> Consistent with the above goal and policies, the Avalon proposal will be designed to include sidewalks along streets, and also a comprehensive network of paths and trails that allow users to travel within the UGA by foot, bicycle and other non-motorized means. These paths and trails will be located so as to provide residents with easy access to commercial services and recreational amenities within the community. As the development of the Property progresses, it is expected that the Avalon proposal will be connected to more regional paths and trails outside the development area.

Goal 8A-13, Land Use and Development - Incorporate transportation goals, policies, and strategies into all County land use decisions.

Policy 8A-13.1 Impacts of Growth – Growth and development decisions shall ensure that the short- and long-term public costs and benefits of needed transportation facilities are addressed concurrently with associated development impacts.

Policy 8A-13.2 Directing Growth – Mitigate transportation impacts, wherever possible, by directing new development into areas where long term capacity exists on the arterial and collector system.

Policy 8A-13.7 Right-of-Way Dedication – The County shall require dedication of right-of-way for needed roads in conjunction with the approval of development projects.

Consistent with the above goal and policies, the Avalon proposal will be developed with awareness of local and regional transportation needs. Its location very near two Interstate-5 interchanges and Old Highway 99 provides accessibility and an excellent starting point from which to make the reasonable transportation improvements needed to provide long term capacity for future population. (*See* Att. Q, Letter Re: Avalon Infrastructure Context, KPFF).

Concurrency Goal 8A-14, Ensure that suitable mitigation measures for addressing the impacts of growth are fair and equitable, and that transportation impacts at the project and system levels are mitigated concurrently with the project.

Policy 8A-14.1 When a development project has a particular impact on the safety, structure or capacity of the County's road system, suitable mitigation shall be required in the form of improvements or through the use of adopted impact fees.

Policy 8A-14.4 The County may consider the use of impact fees and SEPA mitigation fees as a means to ensure that adequate facilities (including but not limited to transit, pedestrian, bikeways, or roadways) are available to accommodate the direct impacts of new growth and development.

Policy 8A-14.5 If an impact fee ordinance is not in place, the County may require large developments to make traffic impact contributions if the development significantly adds to a road's need for capacity improvement, to a roadway safety problem, or to the deterioration of a physically inadequate roadway. Such traffic impact contributions are in addition to transportation facility improvements required in the immediate area for access to and from the development.

The Applicant will work with the County and other agencies to improve impacted roads and fully mitigate growth and transportation impacts within Avalon and outside Avalon all of which is required for new fully contained communities under RCW 36.70A.350. It is expected that the County will fully review and require appropriate mitigation for these impacts as part of the SEPA process.

Chapter 9: Utilities Element

Water – Goal 9A-8, To influence the development and use of the water resources of Skagit County in a manner that is consistent with the Countywide Planning Policies and the Comprehensive Plan.

Policy 9A-8.1 Cooperation with water districts and other water providers shall be extended to support them in their responsibility to provide a reliable service to assure an adequate quality and quantity of potable water and high quality water supply within their service areas.

Policy 9A-8.4 Water supply development and service shall be consistent with all related plans, including but not limited to, the Coordinated Water Systems Plan, the Anacortes-Fidalgo Island Coordinated Water System Plan, this Comprehensive Plan, and related purveyor plans as they are developed.

The Applicant will work with the Skagit PUD and other purveyors to ensure that its water supply is developed consistent with each agency's comprehensive plan and with the Skagit County Coordinated Water System Plan. Amendments to such plans will be pursued as necessary. The Applicant further intends to explore the re-use of reclaimed water for the existing Avalon Golf Course and other water conservation methods to conserve water use and enhance local water resources.

Stormwater Policy 9B-1.8 **Natural Drainage** – Natural drainage shall be preferred over the use of pipelines or enclosed detention systems, where possible.

> The natural topography of the Property includes gently sloped hills and highly permeable soils, which will allow for efficient natural drainage management of stormwater runoff toward the Skagit Basin.

Chapter 10: Capital Facilities Element

Goal 10A-1, Capital Facility Needs - Establish the baseline for the types of capital facilities to be addressed, levels of service, needed capital improvements to achieve and maintain the standards for existing and future populations, and to repair or replace existing capital facilities.

Policy 10A-1.4 [Excerpt]

Urban water service provided by a utility and designed to meet the needs of the designated service areas consistent with the Skagit County or City Comprehensive Plan, the Coordinated Water System Plan, and the designated water utility's Water System Plan shall meet the design criteria of the Coordinated Water System Plan.

> The Applicant will work with the County to ensure compliance with the Coordinated Water System Plan and all other County planning documents. The Applicant expects that the Capital Facilities Plan and the comprehensive plans of service providers will require amendments to capture the new development. (*See also* detailed responses re water and sewer services herein).

Goal 10A-2, Financial Feasibility - Provide means to balance needs with available funding.

Policy 10A-2.4 Future Needs – New growth shall pay its fair share of capital improvements cost necessary to support its demands. This may include voluntary contributions for the benefit of any capital facility, impact fees, mitigation payments, capacity fees, dedications of land, provision of public facilities, and future payments of user fees, charges for services, special assessments and taxes. These revenue sources shall not be used to pay for the portion of any public facility that reduces or eliminates existing deficiencies.

Policy 10A-2.14 Ensuring Concurrency – Impacts of development on capital facilities occur when development is constructed. The county may issue development permits only after it has determined that there is sufficient capacity of Category-A and Category-B public facilities to meet the LOS standards concurrent with the proposed development.

Policy 10A-2.17 Capital Facilities and Concurrency in Non-municipal UGAs – Capital facility requirements and concurrency within county-governed, non-municipal UGAs shall be developed for the specific urban growth area using a combination of county- and non-county-provided services at adopted urban levels of service appropriate to the planned urban development.

CPP 12. Public Facilities and Services. Ensure that those public facilities and services necessary to support development shall be adequate to serve the development at the time the development is available for occupancy and use without decreasing current service levels below locally established minimum standards.

CPP 12.5 Lands designated for urban growth by this Comprehensive Plan shall have an urban level of regional public facilities prior to or concurrent with development.

CPP 12.6 Development shall be allowed only when and where all public facilities are adequate, and only when and where such development can be adequately served by regional public services without reducing levels of service elsewhere.

CPP 12.7 Public facilities and services needed to support development shall be available concurrent with the impacts of development.

CPP 12.8 The financing for system improvements to public facilities to serve new development must provide for a balance between impact fees and other sources of public funds and cannot rely solely on impact fees.

CPP 12.9 New development shall pay for or provide for its share of new infrastructure through impact fees or as conditions of development through the environmental review process.

As stated herein and consistent with the above policies, the Applicant will work with the County and all other agencies to ensure capital facilities are built concurrently with the development phases, to ensure impacts are addressed with appropriate mitigation or impact fees, and to ensure that sufficient urban levels of services are provided as needed. The costs of facilities upgrades made necessary by the development will be paid for by the developer. Most of the foregoing policy objectives are included as requirements for any new fully contained community under RCW 36.70A.350.

5. Describe the impacts anticipated to be caused by the change, including geographic area affected and issues presented.

Expansion of urban governmental services and facilities will be required to fully develop the Property. This will include improvements to streets and roads, sidewalks, traffic systems; sanitary sewer; water systems; storm sewer systems; park and recreational facilities and schools.

Avalon will impact urban public services, including fire protection and suppression; emergency medical services; public safety; public health; and recreation. Avalon's impact on schools will be less than most new developments because most new home buyers will be beyond childrearing years.

The geographic area affected by the proposed amendment will be mainly limited to the approximately 1244 acres involved in this proposal. Additionally, there will be impact on surrounding roads and highways outside the Avalon area such as, old Highway 99, Kelleher Road, Butler Hill Road and F&S Grade Road.

As Avalon is developed, from breaking ground to final occupancy, the County will collect various permit and development fees. The purpose of said fees are to mitigate the impact of the costs associated with the increased and improved public services and facilities to the Property. The Applicant will implement required mitigation of other impacts through the SEPA process. Additionally, once homes and businesses are built on the Property, the County will see increased tax revenues on an annual basis. Furthermore, Avalon will contribute to the vitality of Skagit County's economy through establishment of new businesses and permanent job creation. (See Att. Z, "Jobs Created in the U.S. when a Home is Built," *Eye on Housing*, 5/2/14; *see also*, Att. K, Peterson Report).

The Avalon proposal will have the beneficial impact of locating future population growth in a concentrated area near important services and infrastructure. It has close access to two Interstate 5 interchanges and other existing road networks, and easy access to adjacent municipal water and sewer infrastructure, thereby reducing pressure for more intense rural development in other parts of the County. The Property is well above the flood zones, drains quite well, and contains minimal resource lands (no forest resource land; only 7 acres of unproductive farm land; and mining activity near the end of its productive life). Shops and restaurants are in nearby Burlington, Mt. Vernon, and Sedro Woolley. It is the ideal location to accommodate future growth in Skagit County, the planning for which should commence.

6. Describe how adopted functional plans and Capital Facilities Plans support the change.

Functional plans for water, sewer, stormwater, fire, the Burlington-Edison School District, and police service will require analysis and amendment to ensure sufficient levels of service are provided. The recommended increase to the population projection (adding an additional 8,500 to the County's 20 year projection), will require amendments to the Capital Facilities Plan. The foundational infrastructure for water and sewer service is already in place and capable of providing additional capacity. The Skagit PUD No. 1 indicates it has sufficient water supply available. *See* Att. O, Letter from Skagit PUD No. 1 dated, July 14, 2016. *Please see* further support in the analysis of the *Coordinated Water System Plan* and the *Skagit PUD 2013 Water System Plan* in response to question no. 4 above.

The Samish Water District indicates that sewer service will be provided based on the approval of the "Growth Management Board" and Skagit County and if the District is capable of providing service. (*See* Att. N, Letter from Samish Water District, 7/20/16; *see also* further support in the analysis of the Samish Water District *2013 Comprehensive Sewer Plan* and the City of Burlington's *2005 Comprehensive Plan* in response to question no. 4 above). The Burlington-Edison School District would like the opportunity to include property within the Avalon proposal for a school. (*See* Att. P, Letter from Board President to Vineyard Development, 07/26/16).

7. Describe any public review of the request that has already occurred.

In 2015, Avalon submitted an application for a map change to accomplish designation of new fully contained community. Skagit County decided to defer docketing the application. (See Att. L, Letter from Commissioners, 3/11/16). Skagit Partners made another request in 2016. The GMA Steering Committee held two meetings on the Avalon Proposal, reviewed the requests and decided against recommending that the Avalon Proposal be docketed or revisiting the 20 year urban population forecast and allocation on December 14, 2016. The County Commissioners voted to defer consideration of the Avalon Proposal on December 20, 2016. (*See* Att. JJ, Resolution #R20160360). Skagit Partners reapplied in 2017. The County Commissioners excluded the Avalon Proposal from the docket. (*See* Att. KK, Resolution #R20180013).

8. Describe how the map amendment/rezone complies with Comprehensive Plan land use designation criteria in Chapter 2, the Urban, Open Space & Land Use Element; Chapter 3, the Rural Element; or Chapter 4, the Natural Resource Lands Element.

The applicant proposes amending the Comprehensive Plan to preliminarily designate Avalon as a new fully contained community. Once Avalon meets the criteria in the proposed development regulations for establishing a new fully contained community it will become a UGA. (**Policy 2A-1.1)**. (*See also* detailed response to no. 4 above).

The Property is currently *Rural Resource with Mineral Resource Overlay* (with the exception of approximately 49 acres of which is designated Rural and approximately 7 acres which is zoned Agricultural) but no longer meets the *Mineral Resource Designation Criteria* set forth in CP Policy 4D-1.1. The remainder of the Property is not suitable for mining operations. (*See also* detailed response to no. 4 above).

9. Population forecasts and distributions.

If you are proposing an urban growth area boundary change, describe how it is supported by and dependent on population forecasts and allocated urban population distributions, existing urban densities and infill opportunities, phasing and availability of adequate services, proximity to designated natural resource lands, and the presence of critical areas.

a. Population

The recently adopted population and employment allocations do not reflect unanticipated populating growth from new jobs and additional migration. For the year 2035, the OFM provisional population projection for Skagit County is 127,041 (low), 153,635 (medium) and 195,148 (high). Planning for the year 2036, Berk Consulting and the Skagit Council of Governments recommend an initial population allocation of 155,452, which is near the OFM's medium projection but almost 40,000 lower than the OFM's high projection. (Berk Report).

The Peterson Report indicates Avalon can serve a potentially strong market demand among retired or near-retirement moderately affluent residents in the King County area who have enjoyed significant home price appreciation and are looking to relocate to a lower housing cost, amenity-rich community near a quality golf course, located a moderate distance away. This market demand, and the potential for a new fully contained community at Avalon, will draw people who would not otherwise come to reside in Skagit County and has not been specifically accounted for in the County's existing population forecasts. Currently the Comprehensive Plan and development regulations do not address new fully contained communities. The Applicant is also proposing to amend the Comprehensive Plan, development regulations, and county-wide planning policies to allow for a new fully contained community at Avalon. If these changes are approved, once a project is approved and underway, a new fully contained community at Avalon will draw additional population to Skagit County for the purpose of living and residing in the new Avalon community. Because this was not a specific consideration in existing population forecast parameters, approval of the Proposal will require amending the 20-year population forecast to reserve an additional 8,500 population for Avalon.

Berk notes that the population projection allocations to each geographical community in the County is based on that community's current share of the population. (Berk, p.3). But again, Berk does not specifically consider the market demand that will be created by a new amenity-rich development at Avalon, and its potential to draw in new residents that would not otherwise come to reside in Skagit County. Peterson Economics has analyzed this market and concluded that Avalon is quite viable for a build out of up to 222 new housing units a year, largely from residents relocating from King County.

Berk also does not appear to consider recent economic changes in the County that resulted in job creation. As stated in response to question no. 2 above, 1) The Janicki Bioenergy's announcement that it will expand its operations to the historic Northern State Hospital property (North Cascades Gateway Center) to expand its clean water OmniProcessor technology has the potential for creating 1000 additional jobs or more. (*See* Att. S). As of July 31, 2018, Janicki has begun work on this project and is hiring. It is also considering expanding its campus significantly, potentially making more room for new workers (See Att. T, Sanders, Julia-Grace, "Port expands Janicki lease at SWIFT Center," Go Skagit, 6/16/18.) The expansion of Hexcel Corporation also created additional jobs. The Port of Skagit and Skagit Public Utility District have also recently agreed to develop a network of fiber optic cables to deliver high-speed internet access, which they expect to be attractive to potential new employers. (Att. Y, Sanders, Julia-Grace, "Port, PUD form broadband company," Go Skagit, 5/17/18.) Additionally, the Northwest Innovation Resource Center plans to open a start up lab to attract entrepreneurs in 2019. (Att. X, Sanders, Julia-Grace, "Space for entrepreneurs coming to Skagit County," Go Skagit, 7/3/18) These are just some examples of the ways in which the Skagit economy is growing and potentially adding new residents unaccounted for in the Berk report.

New well-paying jobs will mean waves of additional migration to the County, and those new residents will need housing. These buyers would be additive to the market demand for housing which Peterson Economics identified will come from King County if Avalon is developed (Att. K Peterson Report). People generally wish to reside near their place of employment but the current zoning and land designations will not provide sufficient housing for these anticipated new residents. As discussed in the response to no. 2 above, once the Property is designated a UGA, it could still take the better part of 10 years to build the first home. And whatever is built will be in phases. To build the best new community possible and properly account for all of its impacts, planning should commence now.

As detailed in response to question nos. 2 and 6 above, sufficient capacity for water and sewer services for the first phase of the Avalon proposal will be available from Skagit County PUD No. 1 and District #12 (Samish Water District), respectively. Additional services will be coordinated as the Avalon proposal is built out.

With the change in the Property's designation to a UGA, the Property will be removed from close proximity to Rural Resource Lands. When the Skagit County gravel pit is depleted, it will be reclaimed, and the Property will be rezoned to an appropriate UGA use and density. A mere 7 acres of the 1244 acres is in an Agricultural designation, but this is long unproductive farmland that likely attained its designation as a mapping convenience. (*See supra*, answer to question 4, page 13). None of the Property is used for forest practices. The Property does include pockets of wetlands, lakes and forested areas, which would remain in open space. Careful planning would be involved to ensure that environmentally sensitive and critical areas are protected with the development of the Property.

If you are proposing a rural areas or natural resource land map designation change, describe how it is supported by and dependent on population forecasts and allocated non-urban population distributions, existing rural area and natural resource land densities and infill opportunities.

See response to question no. 9 above for discussion of population forecasts.

The Avalon proposal will not affect non-urban population distributions or infill opportunities. There are currently six single family residences on the property but infill is not likely due to sparse roads in the area and the undesirable aspect of living in close proximity to a mining operation. Only a minor amount of the Property is designated RRv and Agricultural. The vast majority of the Property under a Mineral Resource Overlay designation allows only one residential dwelling unit per 10 acres so is not appropriate zoning for a UGA. The Property no longer provides the mineral resources it previously did and most are near being exhausted. Those that have a few years left to mine will be exhausted before being touched by development. The area is ripe for designation to a UGA to allow for the highest and best use for the Property. In order to accomplish full build out, the land should be preliminarily designated as a new fully contained community, to become a UGA on final project development approval. The removal of the Property (about 1,200 acres) from the *Mineral Resource Overlay* designation will leave an estimated 58,800 acres still designated *Mineral Resource Overlay* in Skagit County. The removal of the minor portion of the Property from RRv will leave an estimated 70,329 acres in RRv.

10. If you are proposing a natural resource land map designation change, describe how the change is necessary based on one or more of the following:

(A) A change in circumstances pertaining to the Comprehensive Plan or public policy.

The County recently updated its UGAs. As part of that process, a new population projection was adopted for 2036. However, there was no contemplation of the drawing power of a new fully contained community at Avalon during the population forecast process. There are currently limited abilities to provide expansion or infill of other UGAs. *See* discussions re population projections herein. The Applicant is requesting an additional 8,500 population allocation and for the County to preliminarily designate the Property as a fully contained to assure that planning may commence for the Avalon proposal.

(B) A change in circumstances beyond the control of the landowner pertaining to the subject property.

The mineral resources located on the Property are nearly depleted. Mining operation is no longer a viable use of the Property for the long term.

(C) An error in initial designation.

Not applicable.

(D) New information on natural resource land or critical area status.

The mineral resources located on the Property are nearly depleted. Mining operation is no longer a viable use of the Property for the long term. The seven acres of the Property under Agricultural designation is not used for long term commercial agricultural production.

Attachments – Comprehensive Plan/Zoning Map Amendment Request

A. Owner Certification (A-1) and list of all owners (A-2)
B. Parcel Information: parcel numbers, addresses and acreage of subject property
C. Map with parcel numbers
D. Land Use Maps
    D-1 – Comprehensive Plan Designations and Zoning Districts, 2016
    D-2 – Comprehensive Plan Designations and Zoning Districts, 7/5/2016
E. Map of Property – with owners' names of subject property, kpff
F. GCH Visual Materials:
    F-1 – Skagit County Diagram
    F-2 – Avalon Site Context & Existing Utilities
    F-3 – Avalon Project Area
    F-4 – Potential Avalon Development Area
    F-5 – Preliminary Avalon Land Use Summary
G. Samish Water District Comprehensive Sewer Plan, Exhibit A, *General Sewer Facilities Map*
H. Whatcom County Water District No. 12 *Sewer Force Main Map* – Lake Samish to City of Burlington (source: *City of Burlington 2005 Comprehensive Wastewater Plan)*
I. PUD 2013 Water System Plan*,* Figure 2-12, *Judy System – Transmission Pipeline Loop*
J. PUD 2013 Water System Plan Figure 2-8, *District Facilities – Rural Areas*

Memorandum and Letters:

K. **Memorandum Report**: *A Summary Review of Current and Anticipated Future Market and Financial Support for a New Fully Contained Community of the Avalon Parcel*, Peterson Economics, July 2016
L. Letter from **Skagit County Commissioners** to Robert A. Carmichael, 3/11/16
M. Letter from Brian Adams, **Skagit County Parks**, undated
N. Letter from Byron Gaines, District Manager, **Samish Water District**, 6/20/16
O. Letter from Michael E. Demers, Engineering Technician, **Skagit PUD No. 1**, 7/14/16
P. Letter from Rich Wesen, Board President, **Burlington-Edison Public School**, 7/26/16
Q. Letter from Jeremy Febus, **kpff** re Avalon infrastructure context 7/28/16

Media Articles, Analyses, and Studies:

R. *Puget Sound Trends* No. D7 June 2012
S. "Bill Gates-backed company eyes historic Skagit County hospital site for major expansion," *Puget Sound Business Journal*, 2/17/15
T. Sanders, Julia-Grace, "Port expands Janicki lease at SWIFT Center," *Go Skagit,* 6/16/18
U. "Burlington aerospace supplier expands, partners with state to train workers," *Puget Sound Business Journal*, 1/7/15
V. Parker, Hilary, "EDASC – New Janicki project could bring 1,000 jobs to county," 03/03/15
W. Parker, Hilary, "EDASC 2015 Forecast Dinner: Year of Growth, change predicted for Skagit County," 03/02/15
X. Sanders, Julia-Grace, "Space for entrepreneurs coming to Skagit County," *Go Skagit,* 7/3/18
Y. Sanders, Julia-Grace, "Port, PUD form broadband company," *Go Skagit*, 5/17/18
Z. "Jobs Created in the US when a Home is Built," *Eye on Housing*, 5/2/2014
AA. "Impact of Home Building and Remodeling on the US Economy," NAHB, 5/1/14
BB. "Where We'll Grow," 4/24/15 (Source: Puget Sound Regional Council)
CC. "New census numbers show just how crowded we're getting here," KIRO 7, 3/23/18
DD. "Washington state added the population of Everett last year," KUOW, 6/27/18
EE. Sanders, Julia-Grace, "Housing prices up significantly in 2017," *Go Skagit*, 2/17/18

Submitted by: Skagit Partners LLC, July 31, 2018

FF. Stone, Brandon, “ESASC: Housing shortage hurting economy,” *Go Skagit,* 11/10/17

GG. ECONorthwest, “Skagit Council of Governments Housing Inventory and Transportation Analysis,” 12/17

HH. Chapters 1 and 2 of “The State of the Nation’s Housing 2018,” Joint Center for Housing Studies of Harvard University, 2018

II. “*Building a Skagit Housing Affordability Strategy, June 2016 Update,”* Skagit County Affordable Housing Advisory Committee, 06/16.

Past Docketing Resolutions:

JJ. Skagit County Resolution #R20160360

KK. Skagit County Resolution #R20180013

Submitted by: Skagit Partners LLC, July 31, 2018

Ownership Certification

Required for site-specific map amendment proposals only.

I, Bill Sygitowicz, hereby certify that I am an owner and officer of the corporation owning a property interest in all of the property described in the attached application, and I have familiarized myself with the rules and regulations of Skagit County with respect to filing this application, and that the statements, answers and information submitted present the argument on behalf of this application and are in all respects true and correct to the best of my knowledge and belief.

Address: P.O. Box 29840

City and State: Bellingham, WA Phone: (360) 739-4089

Signature ____________________ for Skagit Partners LLC
(give corporation or company name)

ACKNOWLEDGEMENT

State of Washington)
) §
County of Whatcom)

On this day personally appeared before me Bill Sygitowicz known to be the individual described in and who executed the within and foregoing instrument and acknowledged to me that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

Dated: 7/31/18

SIMI JAIN
NOTARY PUBLIC
COMM. EXPIRES
MAY 05, 2019
STATE OF WASHINGTON

____

Print name: Simi Jain

Notary Public in and for the state of Washington.

My appointment expires: 5/5/19

Other property owners in this application must be listed below:

Name Please see the attached list.

Address ____________________ City/State ____________________ Zip ________

Owners of Property within proposed new fully contained community, Avalon

Berniece M Aarstad:	17333 Peterson Rd, Burlington, WA 98233
Ron Hass/Avalon Links:	19345 Kelleher Rd, Burlington, WA 98233
Frederick S Butler, et al:	19801 Kelleher Rd, Burlington, WA 98233
Earl R Curry:	6148 N Green Rd, Burlington WA 98233 (Belfast Gravel)
Ronald L Hunt:	19569 Kelleher Rd, Burlington, WA 98233
Carla Ashlock:	9727 - 162nd Avenue NE, Redmond, WA 98052
Miles Sand and Gravel:	400 Valley Avenue NE, Puyallup, WA 98372
Stanton Peterson:	19797 Kelleher Rd, Burlington, WA 98233
Bob Cogdal:	7653 Butler Hill Rd, Burlington, WA 98233 1800
Skagit County:	Continental Pl, Mount Vernon, WA 98273
Hugh Butler and Kathleen Richardson	1032 8th Avenue, Fairbanks, AK 99701

Property parcel information

Requested Comprehensive Plan preliminary designation: **New fully contained community, Avalon**

Current zone for all of the below listed properties: **Rural Resource with a Mineral Resource Overlay**
(no change requested at this time)

Current Comprehensive Plan designation for all of the below listed properties: **Natural Resource Lands**

Street Number	Street Name	City, State, Zip	Parcel ID	Acres
19801	KELLEHER ROAD	BURLINGTON, WA 98233	P103787	0.42
not available			P35960	16.20
19909	KELLEHER ROAD	BURLINGTON, WA 98233	P35957	40.00
not available			P35953	40.00
not available			P35955	40.00
not available			P35943	40.00
not available			P35947	40.00
1753	KELLEHER RD	BURLINGTON, WA 98233	P35961	9.58
not available			P35962	1.90
not available			P35952	40.00
not available			P35946	40.00
not available			P35948	40.00
not available			P35956	40.00
not available			P35951	40.00
not available			P35950	40.00
19797	KELLEHER ROAD	BURLINGTON, WA 98233	P35963	11.90
not available			P35954	40.00
not available			P35944	40.00
not available			P35949	40.00
not available			P35942	37.00
20067	KELLEHER ROAD	BURLINGTON, WA 98233	P36773	36.40
not available			P119521	7.00
not available			P36856	1.29
SC ER&R 18915	KELLEHER ROAD	BURLINGTON, WA 98233	P36852	6.46
SC ER&R			P36850	15.90
SC ER&R 18841	KELLEHER RD	BURLINGTON, WA 98233	P36851	3.73
not available			P35939	0.75
7653	BUTLER HILL ROAD	BURLINGTON, WA 98233	P35931	11.07
SC ER&R			P35940	26.48
not available			P35835	40.00
not available			P35834	40.00
not available			P35819	0.23
not available			P35820	39.77
not available			P35818	4.51
not available			P35817	35.17
not available			P35814	18.43
not available			P35813	19.75
not available			P35773	38.71
7325	BUTLER HILL ROAD	BURLINGTON, WA 98233	P35919	8.35

Property parcel information

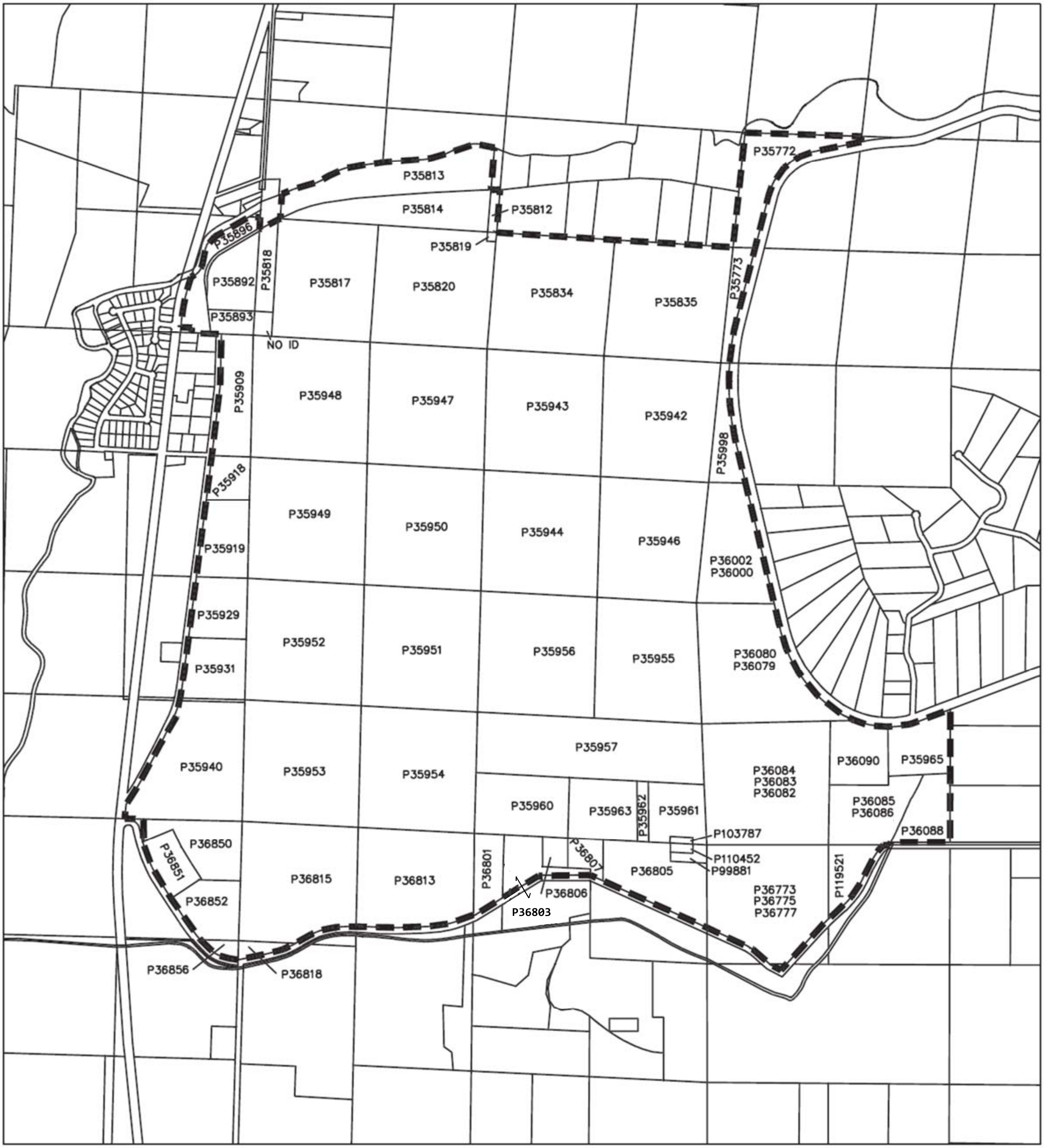
Requested Comprehensive Plan preliminary designation: **New fully contained community, Avalon**

Current zone for all of the below listed properties: **Rural Resource with a Mineral Resource Overlay** *(no change requested at this time)*				
Current Comprehensive Plan designation for all of the below listed properties: **Natural Resource Lands**				
Street Number	**Street Name**	**City, State, Zip**	**Parcel ID**	**Acres**
7325	BUTLER HILL ROAD	BURLINGTON, WA 98233	P35918	5.00
not available			P35909	13.50
not available			P35929	10.06
not available			P99881	1.27
not available			P110452	0.57
not available			P36805	16.07
not available			P36806	2.10
19589	KELLEHER RD	BURLINGTON, WA 98233	P36803	17.37
19569	KELLEHER RD	BURLINGTON, WA 98233	P36801	5.74
19345	KELLEHER RD	Burlington, WA 98233	P36813	32.00
SC ER&R 1647	KELLEHER RD	SEDRO-WOOLLEY, WA 98284	P36815	36.92
not available			P36083	38.97
not available			P36807	2.99
not available			P35893	3.23
not available			P35892	10.84
not available			P36818	3.21
not available			P35998	36.90
not available			P36090	10.00
not available			P35965	11.00
not available			P36079	17.60
not available			P36002	18.97
not available			P36085	12.15

Current zone for all of the below listed properties: **Rural Reserve** (*no change requested at this time*)				
Current Comprehensive Plan designation for all of the below listed properties: **Rural**				
Street Number	**Street Name**	**City, State, Zip**	**Parcel ID**	**Acres**
6967	OLD HWY 99 NORTH ROAD	BURLINGTON, WA 98233	P35896	12.66
not available			P35772	33.00
not available			P35812	1.10

Current zone for all of the below listed properties: **Agricultural** *(no change requested at this time)*				
Current Comprehensive Plan designation for all of the below listed properties: **Natural Resource Lands**				
Street Number	**Street Name**	**City, State, Zip**	**Parcel ID**	**Acres**
not available			P36088	7.00

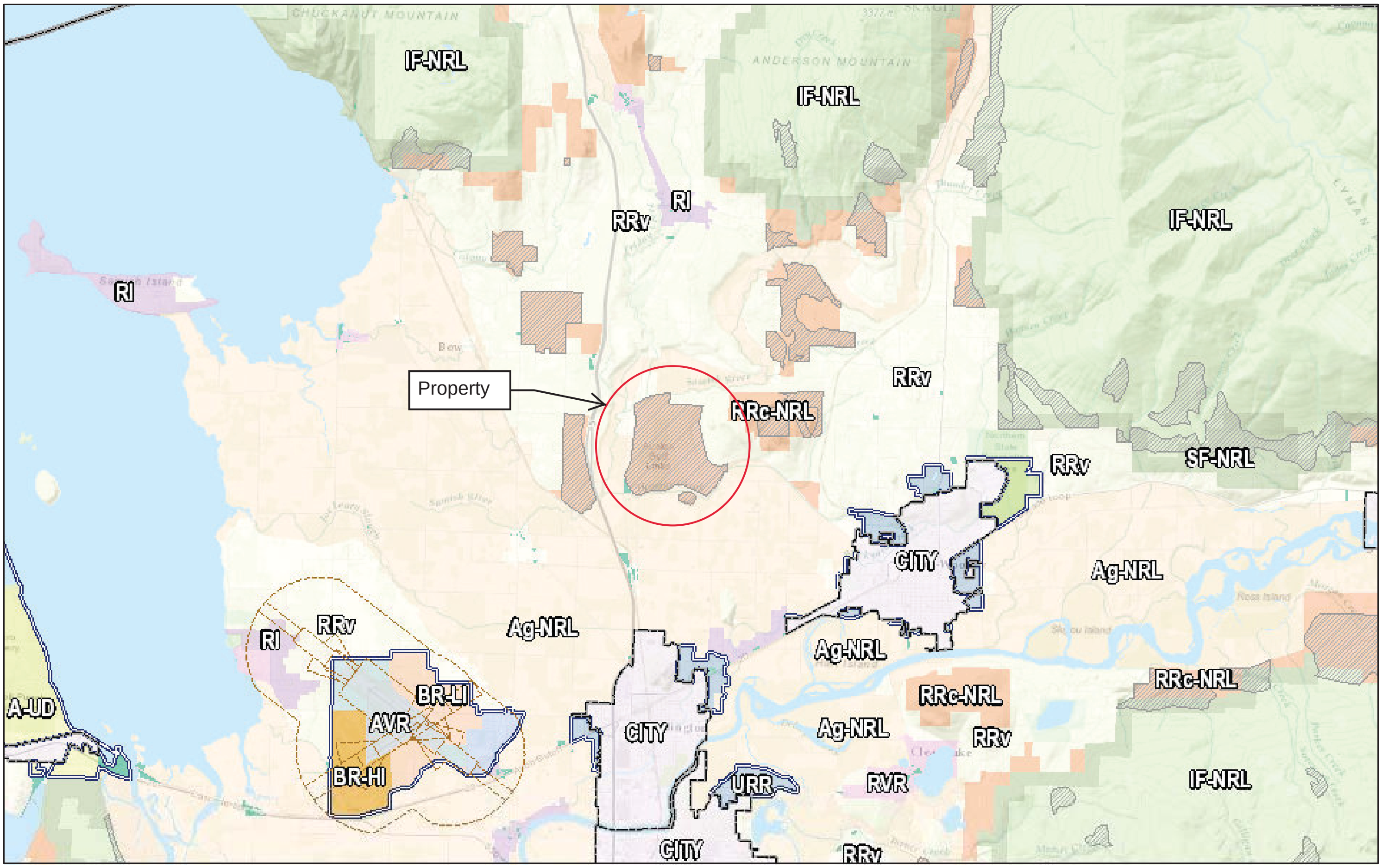
Attachment C



Avalon
Parcel Map

Source: Skagit County

Attachment D-1(1)



July 26, 2016

Legend

County Boundary

Incorporated Areas

Airport Environs Overlay [AEO]

UGA Areas

Data Accuracy Warning: All GIS data was created from available public records and existing map sources. Map features have been adjusted to achieve a best-fit registration. While great care was taken in this process, maps from different sources rarely agree as to the precise location of geographic features. Map discrepancies can be as great as 300 feet.

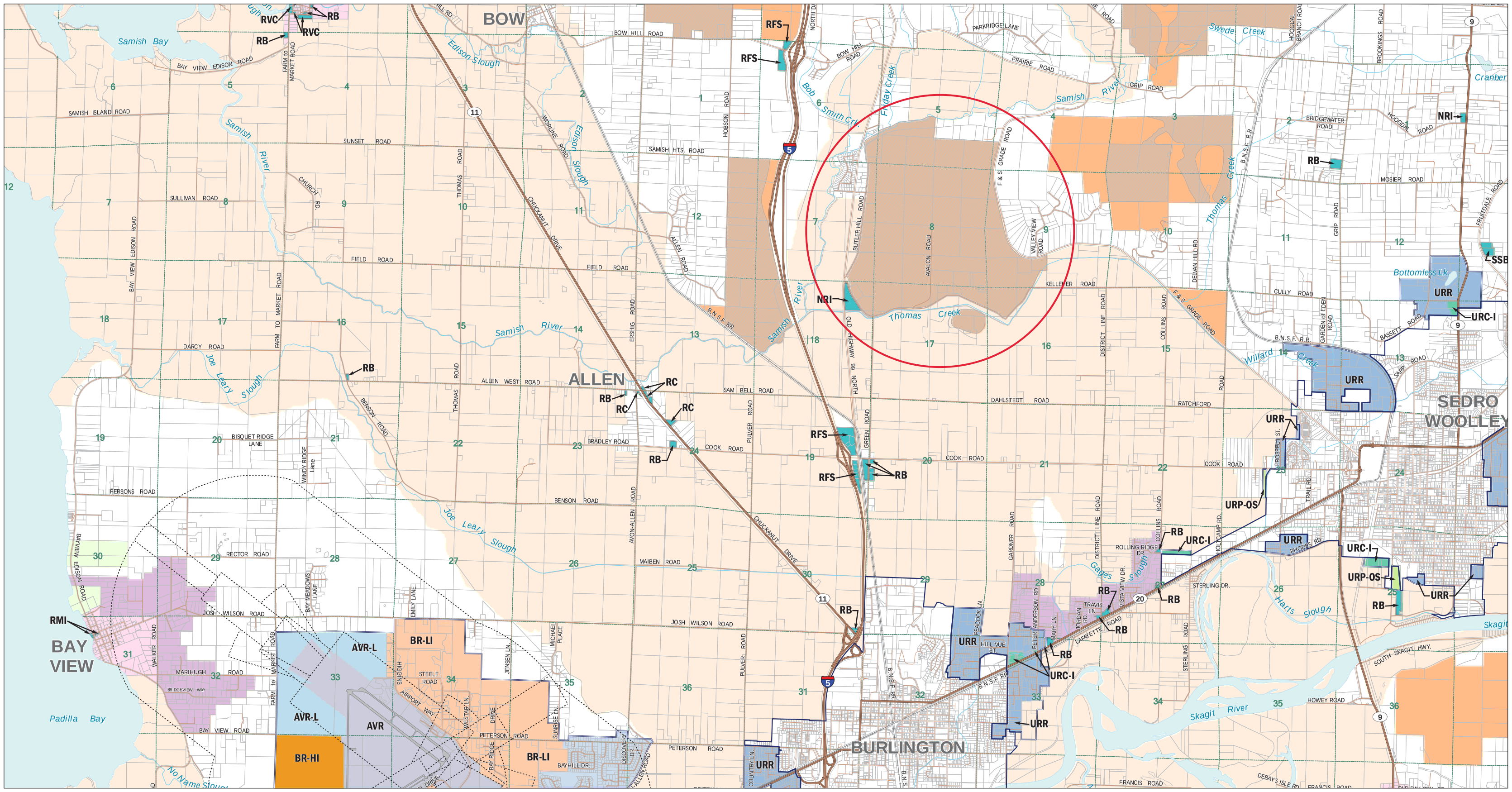
Comprehensive Plan

- A-UD; LC-UD; MV-UD
- AVR
- AVR-L
- Ag-NRL
- BR-CC
- BR-HI
- BR-LI
- BR-R
- BR-URv
- C
- CITY
- CSB; MPR; NRI; RB; RC; RFS; RVC; RMI; SRT; SSB
- H-I
- H-R
- H-URv
- IF-NRL
- OSRSI
- R
- RI
- RRc-NRL
- RRv
- RVR
- SF-NRL
- UGA
- URC-I
- URP-OS
- URR

Mineral Resource Overlay [MRO]

Airport Environs Overlay [AEO]

Attachment D-2



SKAGIT COUNTY

Comprehensive Plan Designations and Zoning Districts

* July 5, 2016

URBAN

Incorporated Areas

UGA ZONING

[UGA] Urban Growth Area
[AVR] Aviation Related
[AVR-L] Aviation Related - Light
[BR-HI] Bayview Ridge Heavy Industrial
[BR-LI] Bayview Ridge Light Industrial
[BR-R] Bayview Ridge Residential
[A-UD] Anacortes UGA Urban Development District
[LC-UD] LaConner UGA Urban Development District
[MV-UD] Mount Vernon UGA Urban Development District
[URC-I] Urban Reserve Commercial Industrial
[URP-OS] Urban Reserve Public Open Space
[R] Residential (Swinomish UGA)
[C] Commercial (Swinomish UGA)
[H-I] Hamilton Industrial
[H-R] Hamilton Residential
[H-URv] Hamilton Urban Reserve
[URR] Urban Reserve Residential

RURAL ZONING

[RRv] Rural Reserve
[RI] Rural Intermediate
[RVR] Rural Village Residential

NATURAL RESOURCE LANDS

[Ag-NRL] Agricultural - NRL
[RRc-NRL] Rural Resource - NRL
[SF-NRL] Secondary Forest - NRL
[IF-NRL] Industrial Forest - NRL

COMMERCIAL / INDUSTRIAL

[RB] Rural Business
[RC] Rural Center
[RVC] Rural Village Commercial
[RFS] Rural Freeway Service
[NRI] Natural Resource Industrial
[SRT] Small-Scale Recreation & Tourism
[SSB] Small-Scale Business
[RMI] Rural Marine Industrial
[MID] Major Industrial Development (No properties currently designated)
[MPR] Master Planned Resort

OPEN SPACE

[OSRSI] Public Open Space of Regional/Statewide Importance

MINERAL

[MRO] Mineral Resource Overlay

OTHER

Airport Environs Overlay

N

0 0.5 1 Miles

0 1,000 2,000 4,000 6,000 Feet

Map scale 1:24,000

T35N R 3 & 4E W.M.

This map was created from available public records and existing map sources, not from field surveys. Map features from all sources have been adjusted to achive a "best fit" registration to the Ownership Parcels Map. While great care was taken in this process, maps from different sources rarely agree as to the precise location of geographic features. The relative positioning of map features to one another results from combining different map sources without field "ground truthing".

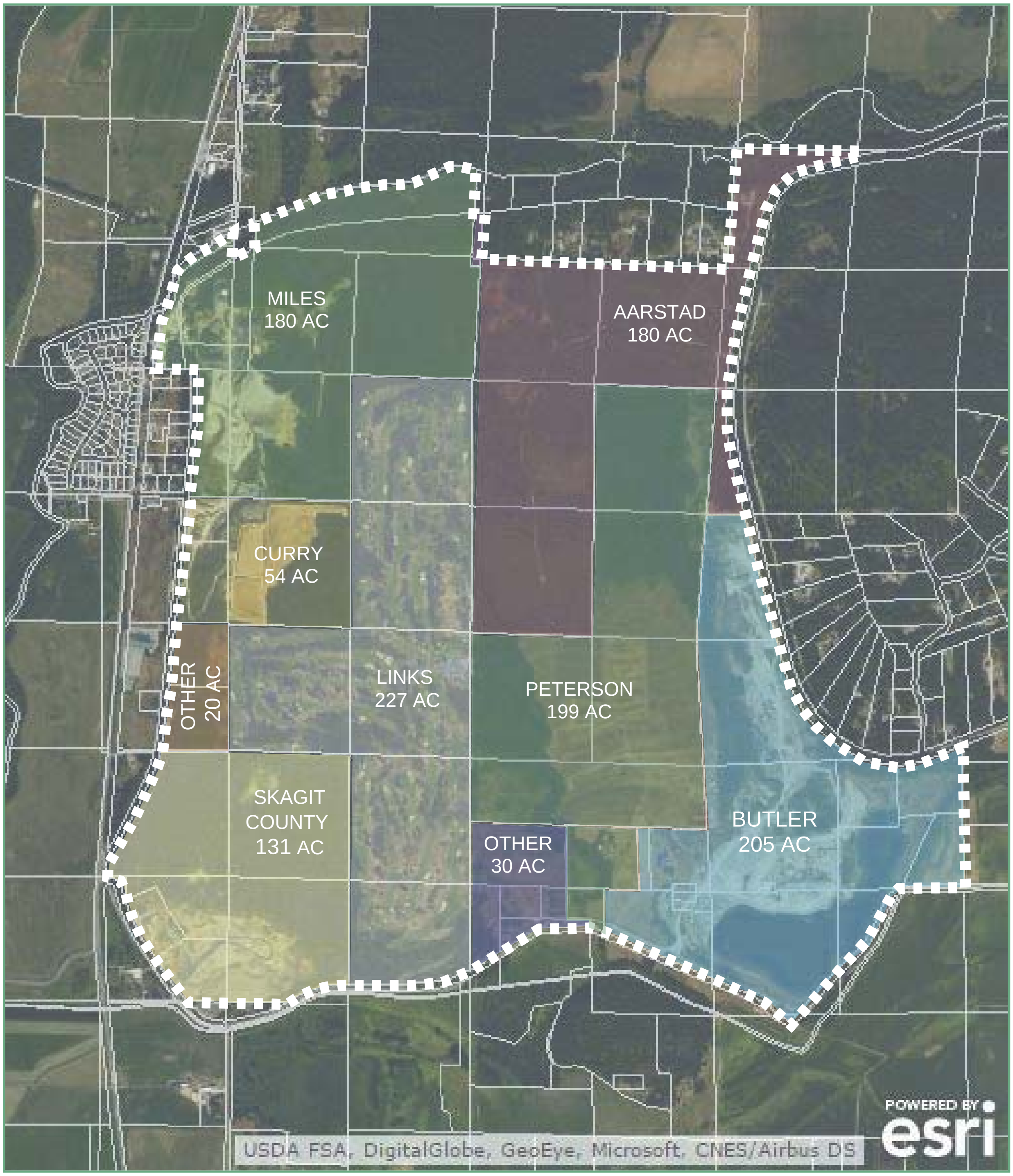
For current Skagit County Assessor tax lots the maps available in the Skagit County Assessor office or on the web at www.skagitcounty.net should be consulted.

* Release date only. This map incorporates offical map changes up to the release date. Changes made between releases are processed and incorporated into the Comprehensive Plan/Zoning Maps on the County's website at www.skagitcounty.net, and are also hand-recorded on maps at the Skagit County Planning & Permit Center. Please consult the Planning & Permit Center for a record of these changes. For a record of city annexations, contact the Skagit County Auditor's office.

Map Print Date: July 26, 2016

Geographic Information Services

SHEET 5



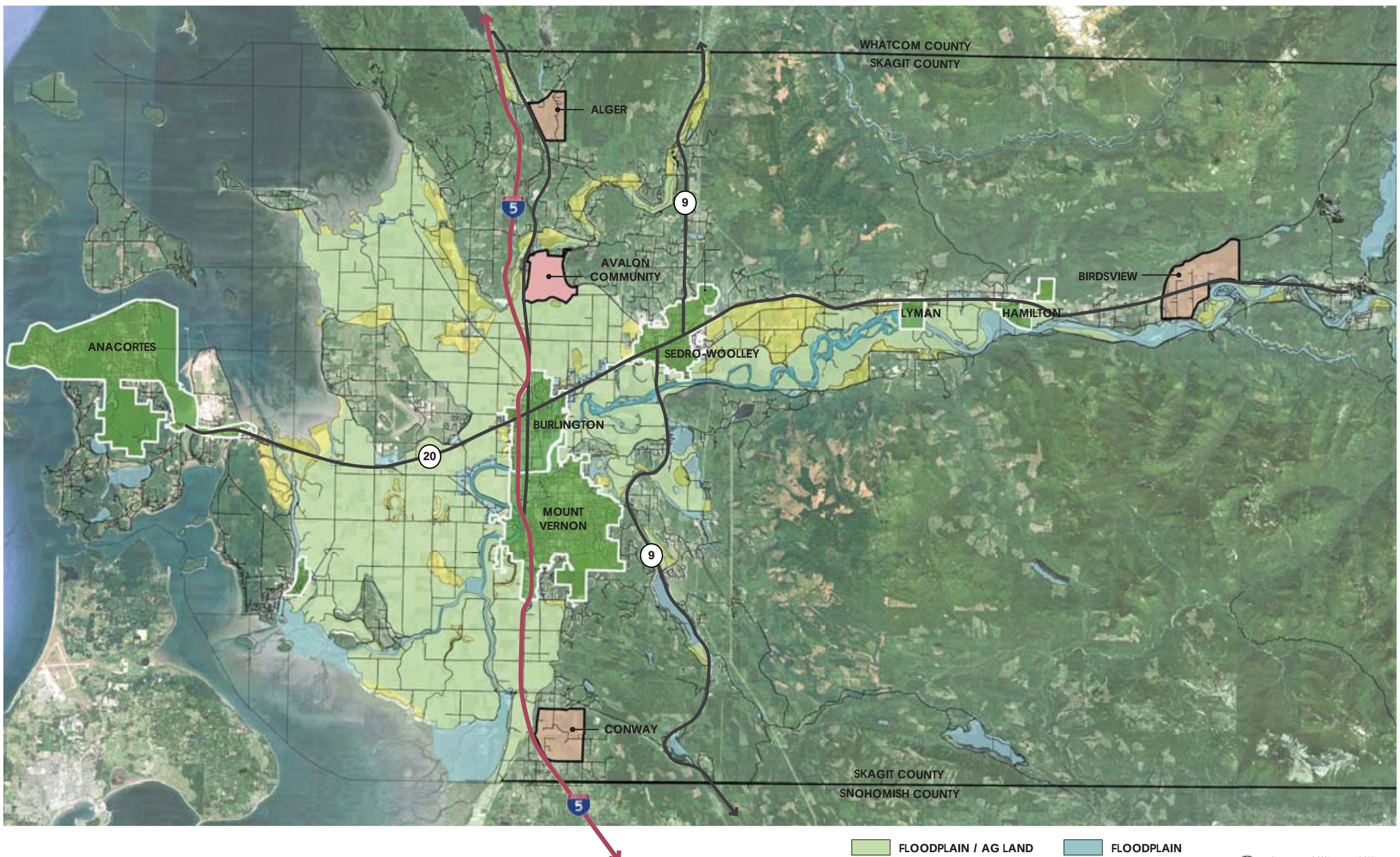
Avalon
Ownership Exhibit

Source: Skagit County GIS, iMap

kpff

Attachment F-1

JULY 25, 2016



FLOODPLAIN / AG LAND

AG LAND

FLOODPLAIN

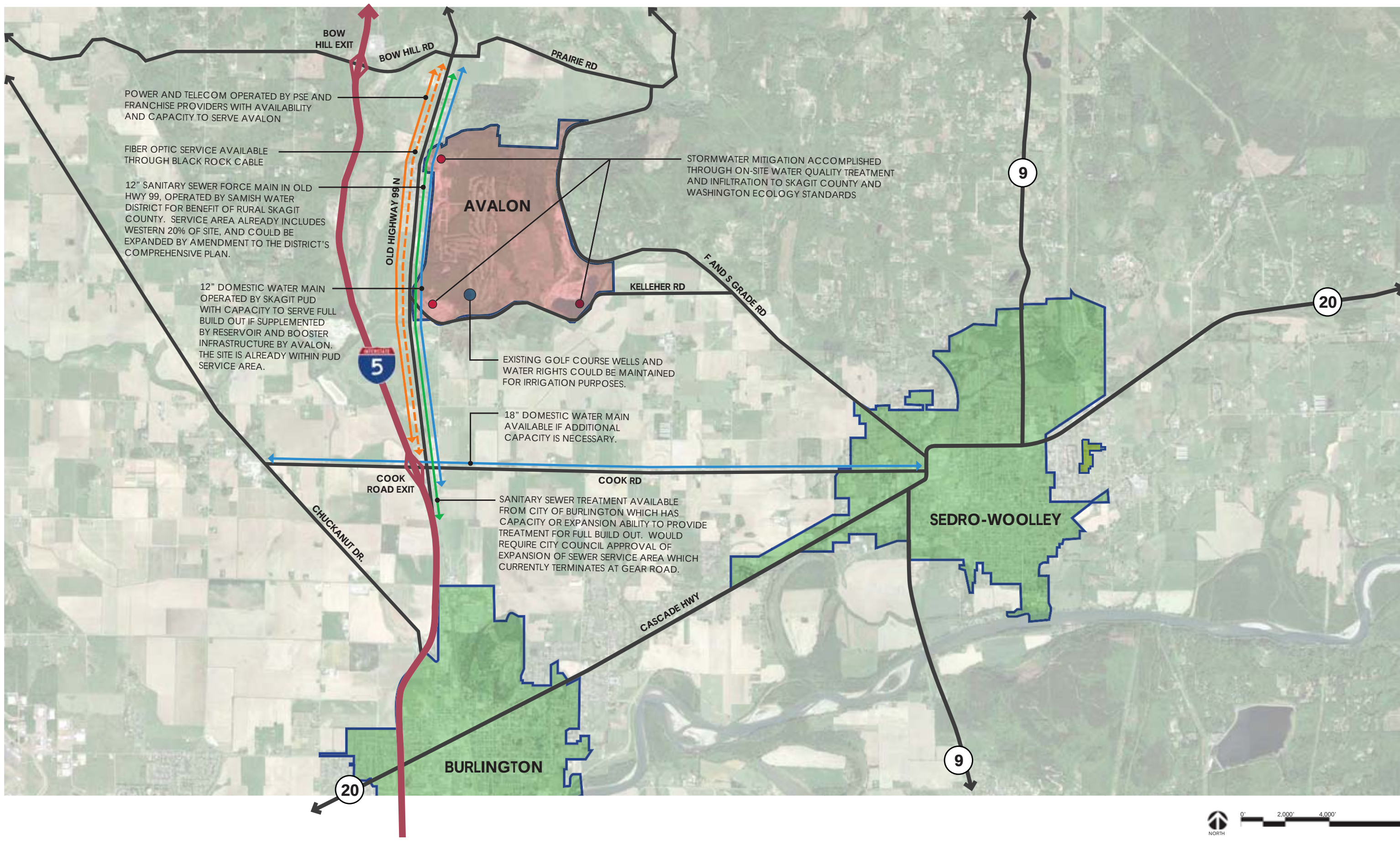
NORTH

0' 8,000' 16,000' 32,000'

AVALON kpff

SKAGIT COUNTY DIAGRAM

GCH
geyer coburn hutchins

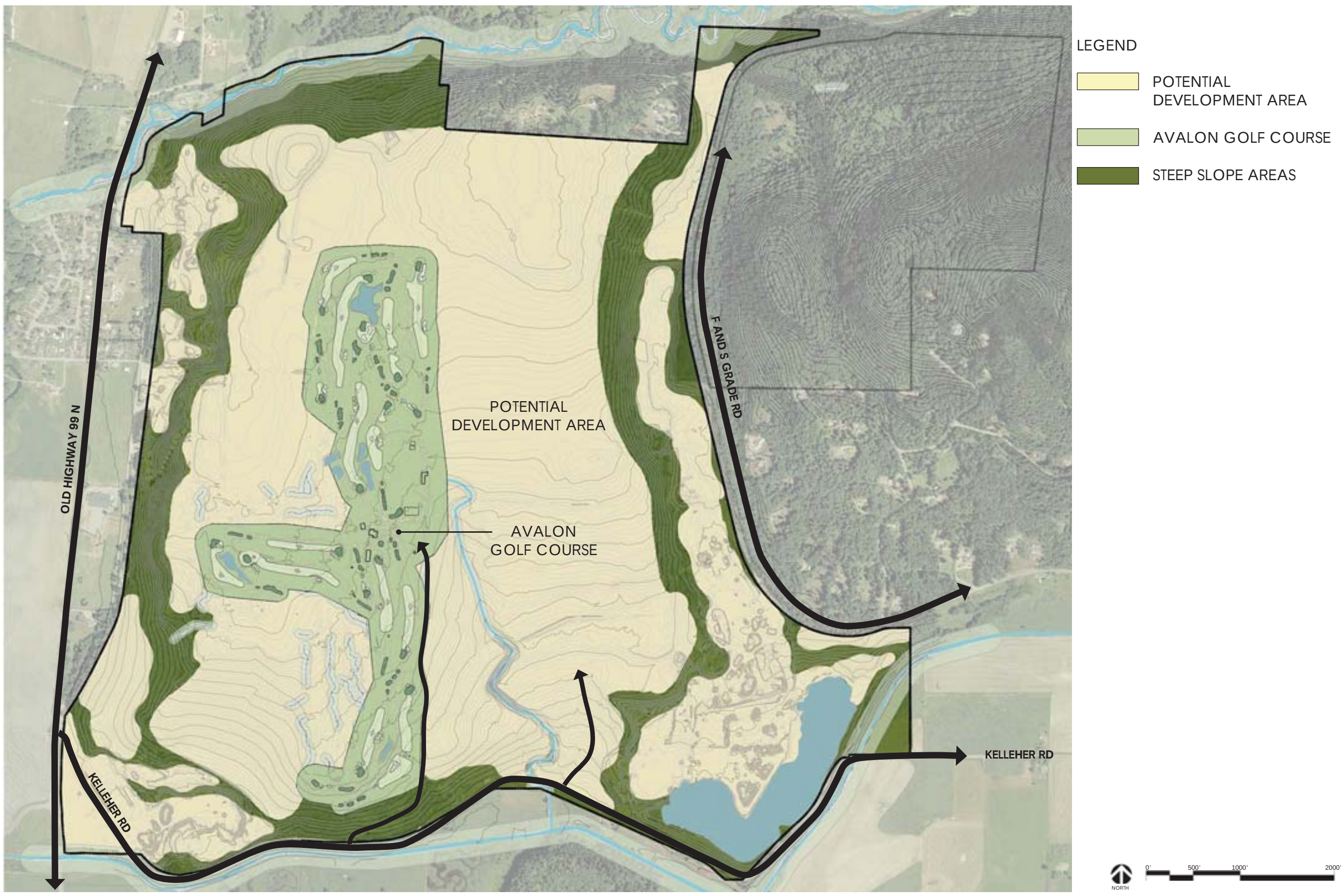


AVALON SITE CONTEXT & EXISTING UTILITIES

AVALON kpff

AVALON PROJECT AREA

GCH geyer coburn hutchins



AVALON kpff

POTENTIAL AVALON DEVELOPMENT AREA

GCH geyer coburn hutchins

AVALON

Land Use	Total Area (Ac.)	Density	Units	People per Unit	Population
Total Avalon Land	**1,243.7**		**3,544**	**2.4**	**8,517**
Potential Development Land	**768.9**	**4.6**	**3,544**		**8,517**
Residential	581.0		3,544		8,517
Neighborhood Commercial / Civic	20.0				
Wetland & Setback Contingency	35.0				
Schools/Amenity	25.0				
Parks	59.0				
Potential Primary ROW (100')	85.0				
Natural Open Space, Trails, Buffers	45.0				
Golf Course & Setbacks	**230.9**				
Steep Slopes	**178.0**				
Primary Streams & Setbacks	**32.7**				
Existing Ponds	**33.2**				

N
W E
S

0 0.225 0.45 0.9 1.35 1.8 Miles

Scale 1:36,000

Wilson
SURVEY/ENGINEERING

SAMISH WATER DISTRICT

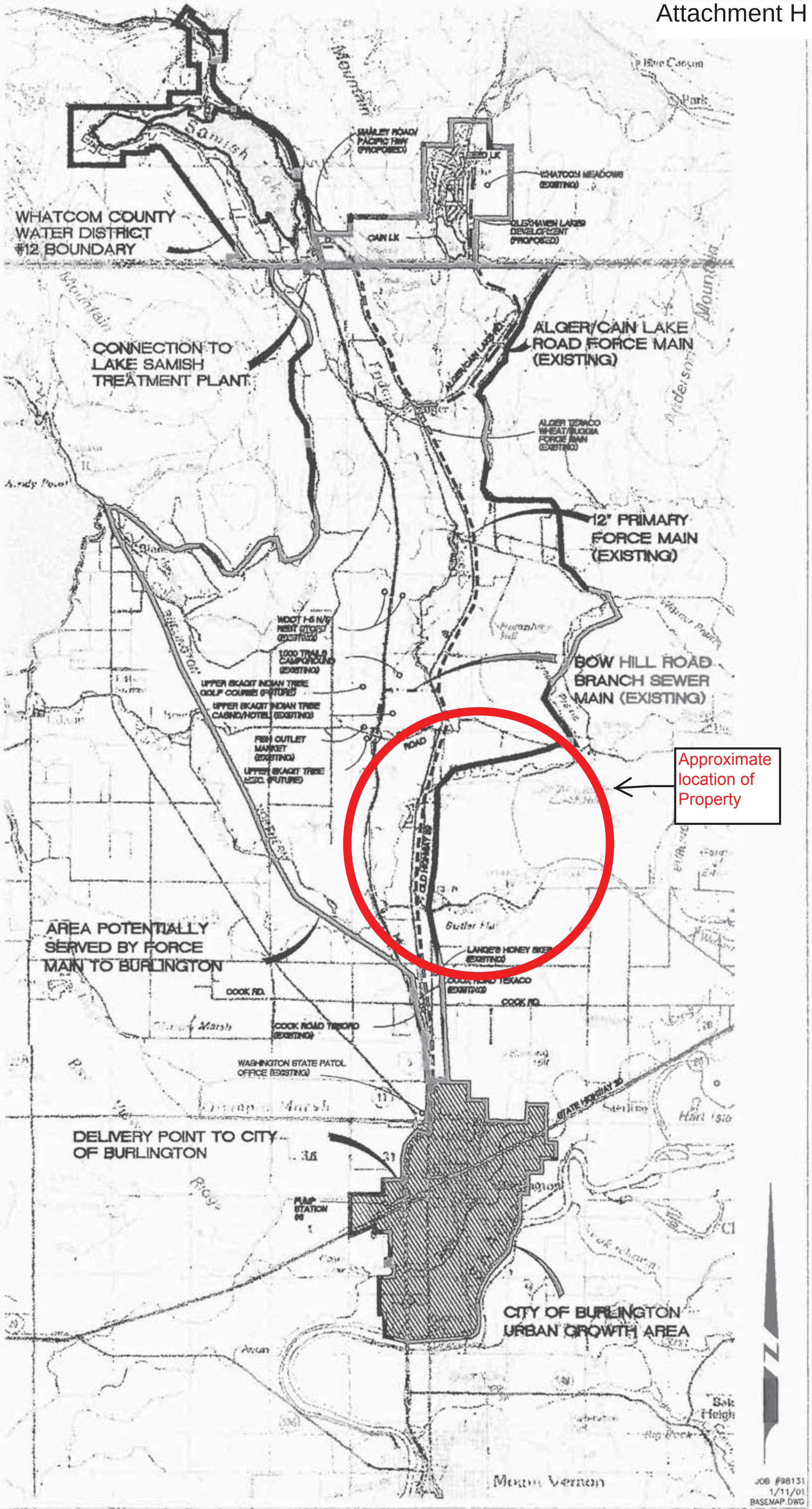
Comprehensive Sewer Plan
Exhibit A - General Sewer Facilities Map

LEGEND:
- Pump Stations
- Force Main
- Gravity Main
- District Boundary
- Glenhaven Lakes Boundary
- Forced Main Agreement Area
- City Boundaries

WASHINGTON STATE

GIS/GPS

Attachment H



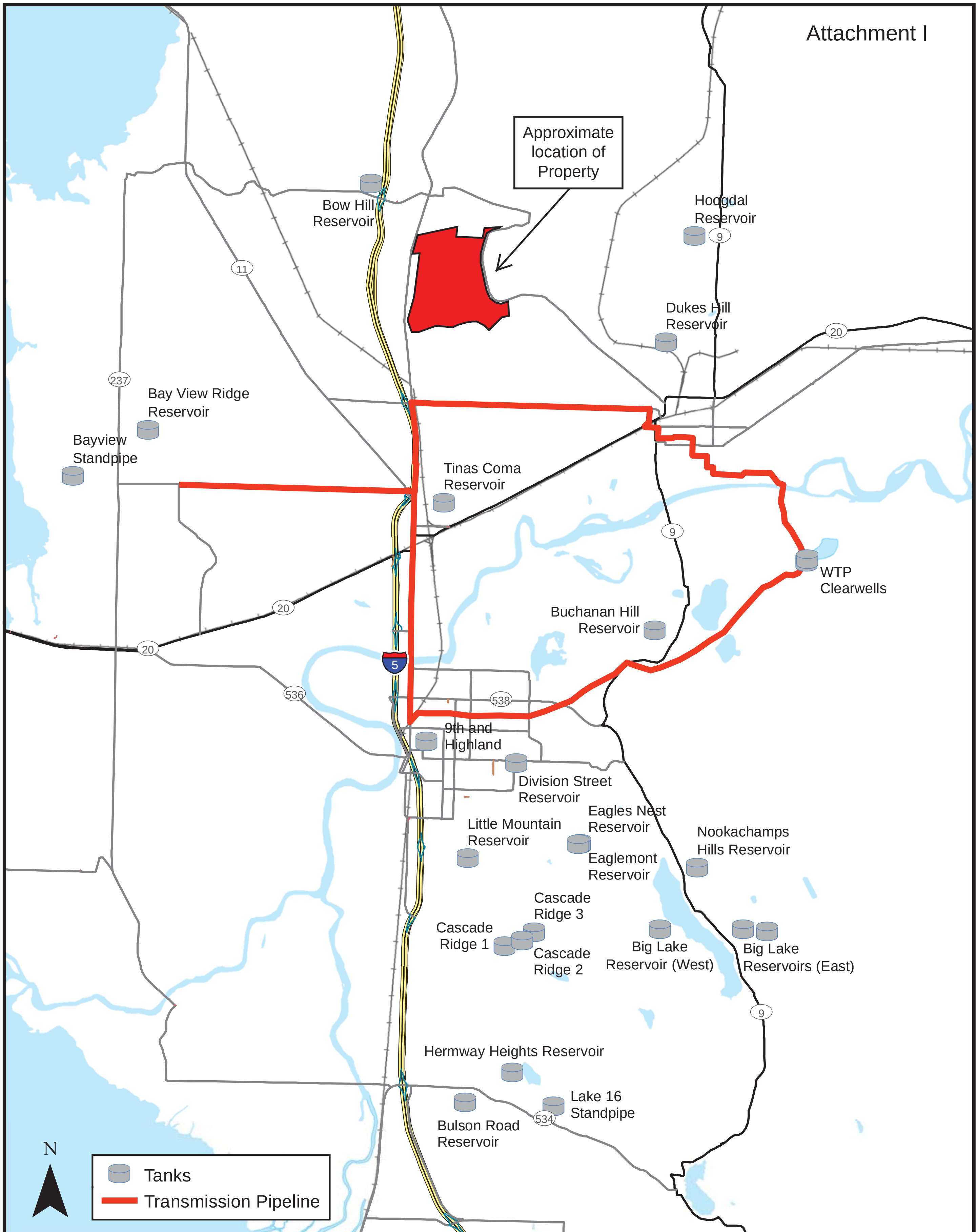
WHATCOM COUNTY WATER DISTRICT NO. 12

Sewer Force Main Map - Lake Samish to City of Burlington WWTP

EXHIBIT

A

Excerpt from City of Burlington 2005 Comprehensive Wastewater Plan



Skagit PUD PUBLIC UTILITY DISTRICT

Judy System - Transmission Pipeline Loop

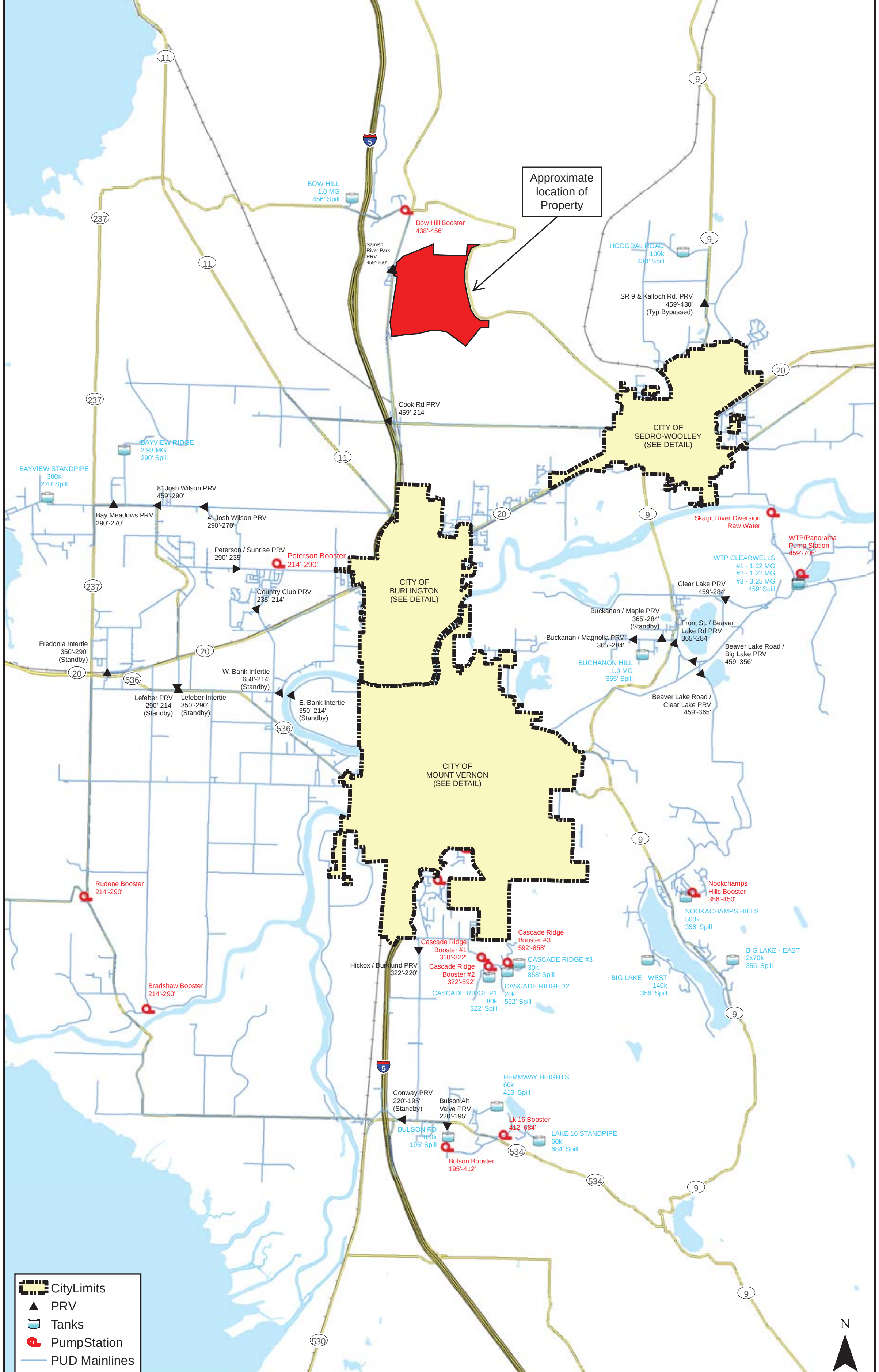
2013 Skagit PUD Water System Plan

Coordinate System: WA State Plan North, NAD83

0 1 2 Miles

Figure 2-12

Attachment J



District Facilities - Rural Areas

2013 Skagit PUD Water System Plan

Coordinate System: WA State Plan North, NAD83	0 1 2 Miles	**Figure 2-8**

Peterson Economics

Attachment K

MEMORANDUM REPORT

A Summary Review of Current and Anticipated Future Market and Financial Support for a New Fully Contained Community on the Avalon Parcel

Prepared for Vineyard Development Group

July 26, 2016

Project Number 490

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MEMORANDUM REPORT

A Summary Review of Current and Anticipated Future Market and Financial Support for a New Fully Contained Community on the Avalon Parcel

In 2008, Peterson Economics completed a detailed market and financial analysis evaluating potential for a new Fully Contained Community (FCC) on a 1,500-acre parcel surrounding the existing Avalon golf course in Skagit County, Washington. This analysis concluded that, due to the unique attributes of this site, strong demand could emerge for an attractive, amenitized community, oriented primarily toward moderately affluent retirement-oriented buyers relocating from the greater Seattle area for lifestyle and affordability reasons. This community would also attract a variety of local-area resident buyers, as well as retirement-oriented buyers and others from various locations around the U.S., along with some potential buyers from the Vancouver metro area.

In July 2016, Peterson Economics was retained to complete a targeted update of market and financial potential for this community, based on a combination of Peterson Economics' recent market research for other similar communities in the Pacific Northwest and the following targeted market research tasks:

1. Conference calls with the developer, land planner, and land use attorney discussing project status and development options;
2. A brief review of current land planning completed by GCH;
3. A review of our detailed 2008 market and financial analysis;
4. A snapshot update of current market conditions, including a review of the primary source market (the Seattle metro area) and local/regional residential prices and market trends; and
5. A review/evaluation of our 2008 recommendations, conclusions, and projections.

This targeted analysis was completed by Jon Peterson, President.

Remaining portions of this memorandum report include the following subsections:

1. A review of Peterson Economics' experience and qualifications;
2. A summary of targeted research completed for this assignment;
3. A summary of our revised conclusions, recommendations, and financial projections; and
4. Anticipated economic benefits and fiscal impacts.

PETERSON ECONOMICS' QUALIFICATIONS AND INDUSTRY EXPERIENCE

Peterson Economics is a real estate economics consulting firm which specializes in evaluating market and financial potential for recreation-oriented master-planned communities. Since inception in 2002, Peterson Economics has been retained to complete more than 400 market and financial analyses for proposed new resorts, second-home communities, retirement communities and other projects, representing well over $100 billion in proposed new development.

Peterson Economics specializes in evaluating market and financial potential for unique destination communities. The firm is also based in the Pacific Northwest, where we have completed more than 100 market and financial analyses for destination resorts, second-home communities, and other recreation-oriented master-planned communities (most likely more than all of our competitors combined).

Our relevant experience elsewhere in the Pacific Northwest is summarized geographically as follows:

- **San Juan Islands and North Puget Sound Region:** over the past 15 years, Peterson Economics has completed about 15 analyses in this region. In addition to our 2008 analysis for the subject community, these have included detailed market and financial analyses for a proposed new cottage resort community at the Point Roberts Marina, a proposed new resort community on Orcas Island (at Rosario), a new retirement-oriented community in Anacortes (San Juan Passage), a large-scale waterfront condo community in Everett, a second-home community near Stevens Pass, and a variety of smaller cottage resorts and other projects. In 2012, Peterson Economics also completed a detailed valuation of a 353-acre development parcel adjacent to Semiahmoo.
- **Central Puget Sound Region:** Peterson Economics has completed more than one dozen market and financial analyses for proposed new retirement communities and second-home communities around the greater Puget Sound region, including a large-scale retirement community at Tehaleh (Bonney Lake) and ten analyses evaluating potential for estate homesite communities on converted timber tracts owned by Green Diamond in Mason County.
- **Central Washington:** Peterson Economics completed a series of detailed market and financial analyses for Suncadia and Tumble Creek which largely determined the initial business plan for these communities. We have since completed in excess of 30 additional studies in Central Washington for Suncadia, Tumble Creek, and over 15 additional proposed new resort or retirement communities in the area, including ongoing work for a proposed new large-scale retirement community adjacent to Cle Elum.
- **Lake Chelan:** during the past 15 years, Peterson Economics has completed about 12 market and financial analyses for proposed new resorts and second-home communities around Lake Chelan and in surrounding areas (such as along the Columbia Valley and in the Methow Valley).
- **Columbia Gorge:** Peterson Economics has completed market and financial analyses for several proposed new resort communities, including Broughton Landing and a proposed new golf resort community near The Dalles. In 2010, Peterson Economics also served as an expert witness regarding Broughton Landing.
- **Central Oregon:** Peterson Economics has completed market and financial analyses for more than 15 proposed new destination resort communities, including the original

analyses for Brasada Ranch, Caldera Springs, and Pronghorn's fractional components. In early 2011, Peterson Economics also prepared a detailed Expert Report regarding Remington Ranch, a partially developed destination resort community in bankruptcy proceedings.

For additional information on our qualifications, please refer to our website at: www.petersoneconomics.com

TARGETED RESEARCH COMPLETED FOR THIS ASSIGNMENT

Prior to re-evaluating conclusions, recommendations, and financial projections for the subject parcel, Peterson Economics completed the following tasks:

1. Reviewed key market findings from our 2008 analysis, as well as more recent findings from analyses completed for several proposed new projects in Whatcom County.
2. Contacted and interviewed several top builders and real estate brokers in Skagit County, gathering information on homesite pricing, new home construction trends, existing home values and sales trends, changing buyer profiles, and other relevant factors (including site visits to several new retirement communities developed by Landed Gentry).
3. Briefly reviewed current and recent residential real estate market conditions and trends in the Central Puget Sound Region, focusing on emerging trends in King County and Snohomish County, where prices have skyrocketed due to supply constraints and strong demand growth.
4. Examined potential ongoing demand for retirement-oriented properties in a new, quality, recreation-oriented retirement community on the subject site, based on size and profile of the target population in the Seattle area (households age 45 to 64 with annual incomes over $100,000).

Key conclusions from this targeted research effort are summarized by topic below.

RESIDENTIAL MARKET CONDITIONS IN THE SKAGIT VALLEY

As was the case in virtually all markets in the U.S., residential market conditions in the Skagit Valley peaked prior to the Financial Crisis – due in large part to unsustainable easy credit -- and deteriorated badly between late 2008 and 2010. However, market conditions have improved notably over the past three years – and now appear to be on much more solid footing -- primarily due to the growing influx of retirement-oriented buyers moving up from the Central Puget Sound region.

In Burlington, median home sales prices peaked in the mid-2000s at roughly $250,000 to $260,000. By 2012, median home sales prices dropped as low as $158,000, due to the combination of weak demand and a market flooded by low-priced "distressed" properties (foreclosures, short sales, etc.). However, by 2013, market conditions began improving notably, as distressed industry was absorbed and demand continued to recover. By 2016, median home sales prices have returned to the range of $240,000 to $260,000 – almost identical to peak 2006/2007 values.

Very similar trends are reported for Sedro Woolley and Mount Vernon. In Sedro Woolley, median home sales prices peaked in 2008 around $207,000. By 2012, median home sales prices dropped as low as $156,000. However, by 2014, market conditions began improving notably, as distressed industry was absorbed and demand continued to recover. By June 2016, median home sales prices in Sedro Woolley have returned to about $206,000 – almost identical to peak 2008 values.

In Mount Vernon, median home sales prices peaked in mid-2007 around $253,000. By mid-2012, median home sales prices dropped as low as $202,000. However, by 2014, market conditions began improving notably, as distressed industry was absorbed and demand continued to recover. By June 2016, median home sales prices in Mount Vernon reached $263,000 – a notch above peak 2007 values.

Demand from working families may also grow faster in the future due to the planned development of a major new technology center in Sedro Woolley. This new project – referred to as the Center for Innovation and Technology – is a proposed as a new large-scale technology campus envisioned to create thousands of local jobs. This new tech center is a proposed joint venture between the City of Sedro Woolley, Skagit County, and the Port of Skagit; it would occupy the 225-acre Northern State campus. Its first tenant is expected to be Janicki Bioenergy. According to the City of Sedro Woolley website, this new tech center could support over 1,000 tech-related jobs within five years.

Although these trends are overwhelmingly positive and encouraging, relative to a massive market like the Seattle metro area, the central Skagit Valley market remains a fairly small, price sensitive market, with only modest demand for new homes, and relatively limited demand for homes priced above $350,000 – similar to the conclusion from our detailed 2008 analysis. For example:

- **Housing Starts:** housing starts in the region remain rather limited, with only about 100 to 200 new homes being built per year in Mount Vernon, and only a handful being completed in Burlington (three per year in recent years).
- **Higher-End Home Sales:** the local market is heavily dominated by homes in the $150,000 to $300,000 price range, with few sales occurring above $400,000.
- **Homesite Values:** standard homesites in local subdivisions are presently valued around $75,000 to $85,000, while homesites in communities with minor amenities or other advantages support values around $100,000. In comparison, similar homesites are valued around $150,000 in Anacortes or significantly higher (up to $500,000) in the Seattle metro area.

Based on these market conditions, it appears clear that Peterson Economics' conclusion from our 2008 analysis remains valid:

> *For the subject community to achieve substantial absorption and prices sufficiently high to justify development costs, it will need to be positioned as a destination-caliber community capable of attracting new buyers to the region, rather than simply competing with existing communities for market share.*

The local market is simply too small, with too few affluent households and too little growth, to support this type of community on its own. However, given the region's highly appealing characteristics and proximity to the Seattle metro area, a highly attractive new community on the site designed and positioned to appeal to young, active, moderately affluent retirement-oriented buyers and other "footloose" buyers from the Seattle metro area and elsewhere could enjoy strong market and financial support. As discussed in more detail at the conclusion of this section, it could also generate hundreds of new jobs for local-area residents and generate a very substantial fiscal surplus to help support local public schools, fire departments, and other public services.

Residential Market Conditions in the Bellingham Area

It is also worth noting residential market trends 20 to 30 minutes north of the subject site in the Bellingham area. As a result of tight inventory, job growth, and a strong influx of retirees moving into the region for lifestyle reasons, median home prices continue to escalate in Whatcom County. Illustrating this:

- The median price of homes sold in Whatcom County has soared from about $247,000 in mid-2012 to about $311,000 by mid-2016 – an increase of nearly 26 percent over the past four years.
- Current values are now well above the prior market peak of about $292,000 in mid-2007.

Although Whatcom County would not likely represent a major source market for the subject community, some buyers would likely come from Whatcom County due to proximity and the unique lifestyle/amenity package and neighborhood design of the subject community. Moreover, many of the retirement-oriented buyers currently flocking to Whatcom County from the Seattle area, California, and elsewhere would consider the subject community as an attractive nearby alternative.

Residential Market Conditions in the Central Puget Sound Region

Due to a strong economy, strong demand growth, severe limitations on new supply, and traffic congestion and geographic constraints limiting options to move further out, King County has seen a remarkable spike in real estate values over the past four years. Illustrating these trends, the median sales price of single-family homes (new and existing detached homes) sold in King County increased as follows:

- Early 2012 -- $308,000.
- March 2015 -- $440,000.
- December 2015 -- $508,000 (up 15 percent over the year).
- March 2016 -- $531,000 (up nearly 21 percent in 12 months).

This remarkable price escalation -- an increase of about 72 percent in four years -- has dramatically increased the cost of a typical home in King County, where even basic, dated, smaller homes can now sell for $600,000. March 2016 prices also set a new record -- eclipsing the prior record of $481,000 set in July 2007, just before the Great Recession and market crash of the late 2000s.

Although future prices will fluctuate with changes in the economy, interest rates, and other factors, the region's underlying dynamics – a vibrant economy combined with severe supply constraints – will likely continue to push prices higher and higher over the long-term. Upward pressure on prices also shows no signs of easing in the near future:

- The number of active listings of houses and condominiums — just 2,196 in early 2016 — hit the lowest monthly level since at least 1993, according to data from the Northwest Multiple Listing Service.

By March 2016, the number of listings fell to a 1.05 month supply.

Surrounding counties also saw robust gains:

- In Snohomish County, the median sales price rose from $358,000 in December 2015 to $385,000 in March 2016 (up 13 percent in one year).
- In Pierce County, the median sales price rose from $252,500 in December 2015 to $265,000 in March 2016 (up 8 percent in one year).
- In Kitsap County, the median sales price rose from $270,000 in December 2015 to $279,000 in March 2016 (up 16 percent in one year).

As illustrated by these figures, however, real estate prices are much lower in surrounding counties, due to employment concentrations, traffic congestion, and supply (with far more potential to continue developing new homesites in surrounding counties).

Within King County, the highest average prices are found on the Eastside (Bellevue, Kirkland, Issaquah, etc). In this area, the median price of single-family homes sold in December 2015 was $675,000, up six percent over the year. In the City of Seattle, the median price rose 20 percent over the year to $600,000. North King County saw its median price jump 25 percent over the year to $480,000. In Southwest King County, the median price rose 17 percent over the year to $305,000. The median price in Southeast King County was $349,950, a 12 percent gain.

According to Seattle-based Redfin, King and Snohomish counties in November 2015 had a mere 1.5 months of supply — the second lowest of 61 metros nationwide, just behind Oakland, California.

While ultra-hot market conditions and high prices in King County do not necessarily create an opportunity to market higher-priced homes to working families or others who must commute daily to jobs in the Seattle area, these market conditions do create an opportunity for "footloose" residents to sell high-priced existing homes and buy a much nicer, new home in a new community in Skagit County at a significantly lower price. Critically, the higher prices move in the Seattle area and the bigger the price differential becomes with Skagit County, the more attractive this move becomes for households who are no longer tied to daily commutes, especially those households whose kids have finished high school and left home, and who are now phasing into early retirement.

Surging market conditions in the Seattle area have already led to a surge in interest (and sales) for new communities in Mount Vernon, Anacortes, and elsewhere oriented toward Seattle-area retirement-oriented buyers. For example, Landed Gentry is reporting very strong sales at two new age-restricted communities in Mount Vernon (Woodside and Twin Brooks), with combined sales of about 30 to 40 new homes per year (or nearly one-third of all new homes being completed in Mount Vernon). These homes average about 1,800 square feet, with prices averaging about $365,000. Demand for new homes has also surged in Anacortes, where values are surging and new communities are quickly being sold out to affluent retirement-oriented buyers moving in from the Seattle area and elsewhere.

Other comments provided by regional builders include:

- Because of the Growth Management Act and land-use decisions by major timber companies, King County has largely run out of new development land, with the exception of a major new community in Black Diamond, which will likely come to market in 2017. However, this location will feature poor access and very long commutes. As a result, it will always be supply-constrained, with a direct impact on future prices.
- Real estate prices in the region have soared over the past two years due to lack of supply. Without major new parcels to develop, each uptick in demand leads to a major price increase, while also pushing some buyers further and further out into the suburbs.
- Previously, Tehaleh drew most buyers from Pierce County. However, in 2015, 43 percent of buyers came from King County, with many coming from the core Seattle/Bellevue area and often commuting daily 1.5 hours back to jobs in the urban core (by car or by car/light rail).
- As a result of the strong market, Tehaleh's lot prices have increased nearly 50 percent over the past two years, with nearly 300 homes per year being built and sold. Typical finished lots (55 to 60 feet wide) are now valued around $90,000. Excluding higher-value homes in Shea's community, the average home now sells for about $415,000.
- Prices are much higher in Shea's Trilogy community, which is oriented toward retirees. Lots are typically valued around $100,000 for a standard lot up to $154,000 for a lot bordering preserved open space (greenbelt). With upgrades, homes typically sell for $550,000 to $600,000, with about 60 to 90 homes sold per year (expected to average 90 per year going forward).
- Four years ago, it was difficult to attract builders to Tehaleh; now, the community is being developed at capacity, with 12 additional builders seeking land to develop.
- Snoqualmie Ridge sold off its remaining lots to Pulte in December 2010. Small homesites (45 to 50 feet wide) are now valued around $220,000 to $235,000.
- Infill builder homesites on the Sammamish Plateau now effectively cost up to $500,000 per unit, including costs of tearing down old homes and upgrading infrastructure, resulting in new homes priced at $1.2 million to $1.8 million (though some new homes are priced as low as $800,000 in less desirable areas).

RESIDENTIAL MARKET CONDITIONS IN THE VANCOUVER METRO AREA

Residential real estate prices have soared in the Vancouver metro area over the past several decades, primarily due to supply constraints and the massive influx of investment dollars and immigrants from China and other countries. Illustrating this:

- The median home price in the greater Vancouver area rose 26 percent to $1.27 million Canadian (about $960,000 U.S.) in January 2016 from a year earlier, according to the city's real-estate board.
- The median condo sales price rose 16 percent to $443,400 ($334,000 U.S.) by January 2016.

That compares with a 14 percent increase to a $1.1 million median in San Francisco and a median sales price of just over $500,000 in King County.

Prices are even more shocking when comparing similar properties. For example, a golf-front homesite in a golf community in British Columbia just across the border from Blaine might fetch $900,000 to $1 million – nearly ten times the value of a comparable golf-front homesite at Semiahmoo, an attractive resort-style community in Whatcom County, just south of the border.

Clearly, exceptionally high real estate values in the Vancouver metro area exert a positive impact on values and market conditions in Whatcom County, and to a lesser extent in Skagit County. For example, retirement-oriented buyers and others who have the option of living in the United States (citizens, spouses of citizens, etc.) will view Skagit and Whatcom counties as much more affordable options to the Lower Mainland of British Columbia.

Canadian citizens cannot live in the U.S. full-time without working through U.S. immigration requirements, but they have a long history of buying low-cost second homes in waterfront and water-view settings Whatcom County. In fact, the vast majority of housing units in Point Roberts are second-home properties owned by Canadians, and a significant portion of full-time properties are also occupied by Canadians. However, as is typical, Canadian demand for products in Point Roberts is heavily concentrated for built products in the $200,000 to $400,000 price range. Moreover, cross-border second-home demand is also heavily dependent on exchange rates, as illustrated by current challenges closing on initial reservations at Seabright Cottages (a new high-end waterfront cottage development in Point Roberts).

In 2013, Peterson Economics completed a detailed analysis of cross-border demand into the most notable destinations in Whatcom County (including Point Roberts, Semiahmoo, Birch Bay, Homestead, Glacier, and Wildwood). **Table 1** summarizes cross-border demand for these communities in 2011, when the Canadian dollar was exceptionally strong.

Table 1: 2011 Real Estate Purchases in Top Second-Home / Retirement Destination Areas in Whatcom County by Vancouver-Area Residents

	Unit Sales to Vancouver-Area Buyers	% of Sales to Vancouver-Area Buyers
Birch Point and Birch Bay	100	42%
Point Roberts	95	95%
Sandy Point Shores	12	70%
Homestead	3 to 5	5% to 10%
Glacier	20 to 25	80%
Sudden Valley	25 to 30	20% to 25%
Wildwood Resort	7	100%
Total	262 to 274	48%

Source: regional real estate brokers and Peterson Economics.

This analysis illustrates that when the Canadian dollar soars in strength and the Canadian economy is strong, Canadian second-home demand is substantial, accounting for the majority of sales in many of these destinations. However, when the Canadian economy softens and the Canadian dollar slumps (as in 2014 through the present), Canadian cross-border second-home demand largely evaporates, with far more wishing to sell U.S. properties than buy new ones.

However, prior studies also found limited (if any) demand from Vancouver-area buyers further south (in Skagit County), and very little demand for properties lacking prime water frontage (on Lake Whatcom or attractive saltwater), with the exception of ski-oriented cabins in Glacier. Thus, Peterson Economics views Vancouver demand as a minor secondary market, which could provide a modest bump to absorption. However, a significant change in immigration rules (allowing Canadians to live full-time across the border in the U.S.) or other significant changes, such as a stronger Canadian dollar, could lead to a massive boost in Canadian demand.

Demand Analysis

Based on our industry experience and the targeted research outlined above, the subject community offers potential to attract and serve a variety of buyers. These could include:

1. Moderately affluent local families seeking a new home, many of whom would commute back to jobs in the Seattle area;
2. Moderately affluent local pre-retirees and retirement-oriented buyers;
3. Young buyers pushed further out of the Seattle metro area in search of an affordable home;
4. More established families or empty nesters who may be phasing into retirement, with many able to work from home at least some days;
5. Young, active retirees; and

6. Seasonal resident retirees.

On the one hand, the subject community could maximize its potential absorption by appealing to all these buyer types. On the other hand, younger full-time resident buyers have very different needs, preferences, and sensitivities than other buyer types, and they may diminish the appeal of the community to other buyers. For example, younger buyers would view the travel time to the Seattle area as a significant hurdle, given the need to commute regularly to jobs in the Seattle area. They would also place less value on major amenities, and be less capable of paying premium prices for homes and paying ongoing costs of maintaining amenities and other services. Many retirement-oriented buyers also prefer communities with fewer young families.

In contrast, older, more established buyers appear far more suitable for the subject community. In particular, Peterson Economics recommends focusing on buyers who are roughly 45 to 64 years old and own their own homes in King County, where values are highest. Most top prospects would be empty nesters (or without kids). They may be only moderately affluent (typical household incomes of $100,000 to $200,000) and live in fairly typical suburban homes around King County, but these homes recently jumped in value from $400,000 or $500,000 to $700,000 or $850,000. They may now be able to retire or phase into retirement, working from home part-time or commuting several days per week. They may have only moderate net worth, but with substantial home equity combined with pensions, social security, and/or part-time work, they may now be in a position to enjoy a very attractive "resort-style" lifestyle in a new community like the subject community, which could offer high quality amenities, extensive services and activities, attractive new cottage-style homes, and a location in an attractive "rural county" like Skagit County, but still close enough to Seattle to visit family and friends on a regular basis, or even commute to work on an occasional basis.

This "equation" has now become extremely attractive, because such households can sell a dated, modest home in King County for as much as $700,000 or $800,000, and move into a nicer, brand new home in the subject community for perhaps $350,000 to $550,000, using the difference to pay off a mortgage or fund a more luxurious retirement. The recent success of new communities like Twin Brooks and Woodside in Mount Vernon – which offer much more limited amenities and services than possible at the subject community – illustrates this growing demand.

In order to quantify the potential depth of this market, Peterson Economics completed the analysis summarized in **Tables 2** through **4**. Table 2 presents historical data (from 2002) merely illustrating the relationship between age and household income in the core "eastside" portion of King County. As illustrated, older households (age 45 to 54) are dramatically more affluent than younger households. Not only do they tend to own their own homes (now very valuable), they also have dramatically higher household incomes, with a 2002 median household income of $110,000 – nearly 40 percent higher than 25 to 34 year-old households in the same affluent region.

Table 3 presents more recent data on the total population of target households in King County. In 2014, King County was home to about 137,000 households headed by a person 45 to

Table 2

HOUSEHOLD INCOME DISTRIBUTION FOR OLDER HOUSEHOLDS IN THE CORE EASTSIDE MARKET
2002 FIGURES

	Ages 25 to 34	Ages 35 to 44	Ages 45 to 54	Total Ages 25 to 54
Less than $15,000	807	699	635	2,141
$15,000 to $24,999	1,027	939	583	2,549
$25,000 to $34,999	1,643	1,173	834	3,650
$35,000 to $49,999	3,334	2,662	2,047	8,043
$50,000 to $74,999	6,695	6,004	4,662	17,361
$75,000 to $99,999	6,241	6,907	5,458	18,606
$100,000 or more	9,640	18,319	19,911	47,870
Total	**29,387**	**36,703**	**34,130**	**100,220**
Median Household Income	$ 79,758	$ 99,881	$ 110,000	N.A.

[1]Includes I-90 corridor in greater Bellevue/Issaquah area.

[2]Includes only those individuals identifying themselves as belong to one race; therefore, numbers may not equal the total population.

[3]As Claritas reports figures in percentage terms, the actual number of households may not equal total.

[4]Estimate of median household income for households age 45-54 provided by Peterson Economics based on Claritas num

Source of Estimates: Claritas, Inc.

Table 3

INCOME DISTRIBUTION -- KING COUNTY HOUSEHOLDS -- 45 TO 64 YEAR-OLD
2014 CENSUS FIGURES -- ESTIMATE ANNUAL HOUSEHOLD INCOME

Total # of Householder 45 to 64 years:	308,140
Less than $10,000	16,138
$10,000 to $14,999	7,962
$15,000 to $19,999	7,896
$20,000 to $24,999	8,544
$25,000 to $29,999	7,979
$30,000 to $34,999	9,465
$35,000 to $39,999	8,614
$40,000 to $44,999	10,141
$45,000 to $49,999	10,034
$50,000 to $59,999	18,523
$60,000 to $74,999	26,739
$75,000 to $99,999	38,958
$100,000 to $124,999	35,741
$125,000 to $149,999	27,825
$150,000 to $199,999	33,566
$200,000 or more	40,015
Total HH's 45-64 Years Old Earning > $100k	137,147

Source: US Census Bureau

Table 4

POTENTIAL KING COUNTY RESIDENT DEMAND FOR NEW RETIREMENT PROPERTIES BY AGE OF HOUSEHOLD[1]

	Households by Age Range		
	45 to 54	**55 to 64**	**Total**
Total Residents in 2014 by Age	290,828	244,207	535,035
Estimated # of Households (headed by persons of this age)	168,109	141,160	309,269
Assumed % Electing to Move into a Master-Planned Community for Ret./Pre-ret. w/in 10 years	10%	10%	10%
Assumed # of Relevant Retirement Property HHs	16,811	14,116	30,927
Est. Average # of retirement properties/HH	1.20	1.20	
Assumed % of *Net* Demand for New Master-Planned Ret. Community Housing Captured / Year[2]	8%	8%	8%
Total Demand for New Master Planned Community Properties/Year by Income	1,614	1,355	2,969
Assumed % Desiring a Retirement-Oriented Community in Washington State	75%	75%	
Demand for Retirement-Oriented Communities in Washington State	1,210	1,016	2,227
Potential % Captured by Subject Community if Highly Amenitized & Competitively Priced:	5% to 10%	5% to 10%	
Potential Demand for Subject Community Total Units/Yr. from N. Seattle Metro Area:	60 to 120	51 to 102	111 to 122

[1]Includes households ranging in age from 45 to 64.

[2]Expressed in terms of net annual growth (subtracting out demand absorbed by resales as some older HH's move out or die).

Source: US Census Bureau and Peterson Economics.

64 years old, with over $100,000 in annual household income. About 70 percent of these households made $100,000 to $200,000 per year, and 30 percent made over $200,000 per year.

Table 4 presents a preliminary evaluation of total potential depth of demand for retirement-oriented purchases at the subject community from existing households in King County aged 45 to 64. As depicted, if ten percent of such households elect to eventually move into a master-planned community for retirement (or pre-retirement), and if 75 percent remain within Washington State, and if the subject community is able to capture five to ten percent of this demand, it could potentially sell about 111 to 222 new properties per year to this market segment alone. [Note: based on this estimated potential range, a reasonable target could be an average of perhaps 150 new sales per year to King County residents, though actual sales would vary year-by-year based on economic trends, residential market trends, and other external factors, as well as a variety of "internal" project factors, such as design, pricing, and marketing.]

While this type of analysis is admittedly imprecise, absorption could be boosted by also selling additional properties to retirees or pre-retirees from elsewhere in Washington (not just King County). Additional sales could come from empty nesters who are still working, retirees from California and elsewhere, and others, including a variety of buyers from the local market or the greater Vancouver area. These other sources could easily account for 40 to 60 additional sales per year within the subject community, bringing total project-wide absorption up to about 200 units per year.

Thus, this analysis provides a reasonable basis from which to project potential absorption, assuming an attractive amenity package, an appealing land plan, desirable units, competitive pricing, and skilled marketing.

PRELIMINARY CONCLUSIONS, RECOMMENDATIONS, AND FINANCIAL PROJECTIONS

Based on Peterson Economics' industry experience and market research, in 2008, Peterson Economics concluded that the highest and best use of the subject site is as a new, large-scale, master-planned community oriented primarily toward younger, active retirees. Based on our more recent industry experience and this targeted market update, this conclusion still appears valid. These prospective buyers offer significantly greater affluence than typical first-time home buyers, and they would not be tied as firmly to jobs in the Seattle metro area as middle-aged affluent buyers (who would be turned off by the prospect of an hour-long commute each day and growing traffic concerns getting in and out of Seattle).

However, Peterson Economics does not recommend strictly limiting this community to buyers over 55 years old (i.e., the age set by federal rules for age-restricted communities); Peterson Economics fears that the risks of such a designation (eliminating younger buyers, creating the image of an "old persons' community," etc.) would outweigh the advantages (creating a community entirely focused on older buyers). Instead, Peterson Economics recommends simply targeting an appropriate demographic profile, and designing the community to maximize its appeal to this demographic profile, but then allowing (and perhaps even "celebrating") a healthy mix of buyers and residents within the community, including some likeminded younger retirees or part-time retirees who may be in their 40s (as well as a few families and other younger buyers).

This location appears very appropriate for this type of amenity-rich, retirement-oriented community due to its:

1. Close proximity to quality medical care (a very important factor);
2. Close proximity to I-5 and easy access to and from the Seattle metro area (close enough to visit the grandkids and other family on a regular basis, but far enough away to achieve a degree of freedom and to enjoy a significant price-incentive to move out of an existing home and an existing neighborhood);
3. Scenic, peaceful, rural setting, with beautiful views of the Skagit Valley;
4. Excellent proximity to extensive shops and other key services in Burlington, Mount Vernon, and Sedro-Woolley;
5. Reasonable/acceptable climate; and
6. Excellent access to a wide range of appealing recreation destinations (to the south, west, north and east), ranging from mountains, to lakes, to islands, to attractive small towns (as well as Seattle and Vancouver).

In addition, the site already includes an attractive 27-hole golf course (which can be incorporated into the new development) and a very attractive new lake (which can be enlarged and improved). Thus, in many important ways, this site appears to meet the critical requirements for a successful new retirement-oriented community seeking to "offer a true resort lifestyle within driving distance of home" for pre-retirees and retirees from the Seattle area.

The majority of these future retirement-oriented buyers would likely derive from the northern half of the Seattle metro area. Most are likely still working, and many would likely continue to work part-time after moving into the new community, but few would commute back into the Seattle area on a regular basis after moving into the subject community. Most are likely moderately affluent, with typical net worth of about $500,000 to $2 million and typical household incomes (before retiring) of about $100,000 to $200,000 per year. Most likely live in moderately upscale suburban homes they have owned for ten years or more. These homes have typically appreciated smartly over the past decade, creating substantial home equity for most of these households. Typically, such households would be able to sell an older, moderately attractive home in the Seattle metro area suburbs for perhaps $500,000 to $800,000, and then move into a highly attractive, new home in the subject community for somewhat less (perhaps $100,000 to $150,000 less on average), while also enjoying the substantial benefits of the new community – extensive amenities, services, open space, and social interaction with other young, active retirees.

While retirement-oriented buyers from the northern Seattle metro area may account for perhaps three-quarters of future sales, substantial demand could also emerge from a variety of other sources, including:

1. Local retirement-oriented or amenity-oriented buyers from the Skagit Valley;
2. Retirement-oriented buyers from elsewhere in the Puget Sound region;

3. Retirement-oriented buyers from Bellingham; and
4. Retirement-oriented buyers from the rest of the U.S. (the Inland Northwest, California, etc.).

As noted, additional demand could come from the Vancouver metro area, as well as new residents moving into Skagit County to fill jobs at the Center for Innovation and Technology or elsewhere. Over time, the subject community could be developed to include several neighborhoods oriented toward local working families, with homes priced at somewhat lower levels, and with lower ongoing costs.

As discussed above and examined in detail in our 2008 analysis, Peterson Economics' demand analysis suggests ongoing demand from these combined sources could exceed demand for 200 new units per year in the subject community, if this new community is developed to include attractive amenities, such as:

1. The existing golf facility;
2. A large lake (expanding the existing lake if possible) and perhaps five smaller lakes (about ten acres each);
3. A major lakefront community center (featuring a restaurant, spa and fitness center, pools, and other amenities);
4. Extensive preserved open space (mature forests, landscaped parks, meadows, and other natural areas), all improved to include extensive trails and other amenities; and
5. A variety of other amenities and components (roads, trails, etc.).

If developed to include this amenity package, this community would be dramatically larger and more attractive than existing local-area retirement-oriented communities like Twin Brooks and Woodside, which are already enjoying strong support from the target market (despite limited amenities, limited size, limited marketing budgets, etc.). In fact, if developed as proposed, the subject community could become Washington State's premier retirement-oriented community, with far more open space and far more extensive amenities than top existing communities in King, Pierce and Thurston counties.

In our 2008 analysis, Peterson Economics budgeted unit development costs of $125 to $160 per square foot (including upgrades). This is significantly higher than current costs reported at communities like Twin Brooks and Woodside in Mount Vernon, or within major retirement-oriented communities like Trilogy at Tehaleh or Trilogy at Jubilee in Pierce and Thurston counties.

In our 2008 analysis, Peterson Economics recommended pricing the community at fairly compelling levels – more expensive than the less-upscale Trilogy at Jubilee in Lacey, but significantly less expensive than the centrally-situated Trilogy at Redmond Ridge in Redmond. Specifically, expressed in 2008 dollars, Peterson Economics recommended initially pricing most cottages at about $370,000 to $600,000 (or about $250 to $300 per square foot), but charging $600,000 to $950,000 for prime lakefront cottages (up to $380 per square foot). Also expressed in 2008 dollars, Peterson Economics recommended pricing golf-front and lake-view low-density condos at about $345,000 (or about $215 per square foot), while pricing low-density lakefront condos at about $535,000 (or about $300 per square foot). Finally, Peterson Economics recommended pricing 16,000 square foot custom homesites (in gated, wooded enclaves, typically fronting open space) at roughly $215,000 (expressed in 2008 dollars).

Based on these recommended price points in 2008, expressed in 2008 dollars, the vast majority of finished products within the subject community would have initially been found in the range of about $345,000 to $640,000. The average (mean) price would be roughly $488,000 (and the median would be somewhat lower). In comparison, the average price reported at Jubilee in 2008 was about $375,000 and the average at Trilogy at Redmond Ridge was about $670,000.

However, if completing a revised market and financial analysis based on 2016 market realities, it would likely be appropriate to contemplate:

1. A slight redesign of the proposed amenity package (possibly downsizing some amenities, along with other modifications);
2. A slight decrease in the assumed cost of building proposed condos, cottages, and homes (at least in some neighborhoods); and
3. An associated slight decrease in condo, cottage, and home pricing, increasing the number of units offered in the $300,000 to $450,000 price range to broaden market appeal.

[Note that all prices discussed above include upgrades and lot premiums; base prices would be significantly lower. However, Peterson Economics' 2008 analysis also assumed "real" appreciation of 1.0 percent per year for built product and 2.0 percent per year for lots, over and above the assumed rate of inflation (3.0 percent per year).]

Given these proposed price points, the proposed amenity package, the proposed land plan, and the subject site's attractive setting and location, Peterson Economics believes the subject community could enjoy strong market support going forward. Specifically, Peterson Economics believes ongoing absorption could average close to 200 developer-owned lots and units per year, similar to absorption levels achieved by other major retirement-oriented communities in the Puget Sound region prior to the Financial Crisis (and well below recent and current absorption reported at Tehaleh). With an average of perhaps 2.2 residents per unit (primarily couples, along with some families and other household types), the community's population could therefore increase by about 440 residents per year once closings begin.

As examined in detail in our 2008 analysis, this new community offers potential for a solid return on investment with absorption and pricing at these anticipated levels.

ANTICIPATED ECONOMIC BENEFITS AND FISCAL IMPACTS

Peterson Economics has completed detailed economic benefit and fiscal impact studies for dozens of proposed new large-scale master-planned communities, including detailed studies for Suncadia / Tumble Creek, several proposed new large-scale resort communities in Central

Oregon, a proposed new resort on the Oregon Coast, and several proposed new resort communities in British Columbia.

Critically, as proposed, the subject community would create massive benefits for the local economy, local-area businesses, and public service providers, because it would be positioned to draw in a large number of moderately affluent retirement-oriented buyers from the Seattle area, rather than simply compete for market share with existing communities in the Skagit Valley. These new residents would bring their money with them, spending money in local shops and restaurants, hiring staff to help maintain their homes, etc.

In general terms, developing the subject community as proposed would likely offer the following major local economic benefits and fiscal impacts (among many other benefits):

1. Including indirect and induced impacts, construction/development activity alone would likely generate between 600 and 1,000 new full-time-equivalent jobs in the Skagit Valley each year during the primary development period (a period of perhaps ten years).
2. Including indirect and induced impacts, permanent ongoing operations employment (community management, maintenance, sales and marketing, home maintenance, etc.) could easily total 100 to 200 ongoing full-time-equivalent jobs (after several years of development).
3. Expressed in 2016 dollars, net new property tax revenues could grow by roughly $1 million per year, reaching about $10 million per year after ten years of sales.

The demographic profile of anticipated buyers and proposed community design would also mean that this community would place unusually low burdens on most local service providers. For example, while a new starter-home community generates much less property tax revenue per home, it is typically filled with young families placing children in public schools (at an average cost to taxpayers of about $10,600 per child in the U.S.). [Note: in Skagit County, reported education costs per child are well above the national average.] However, if positioned and developed as proposed, the subject community would primarily attract affluent "empty nesters" from outside Skagit County. In similar communities, it is common for only one home in 20 or even one in 50 to include school-age children, meaning this community would generate massive new revenues for local public schools (growing to a level of millions of dollars per year), while creating very limited additional cost for these schools, thereby creating a massive fiscal surplus, which could be used to improve the quality of local schools and/or reduce the tax burden on all area residents. With property values well above average and impacts on service providers typically below average, it could also create modest fiscal surpluses for local fire departments, police departments, public works departments, and other service providers. Similar small towns with a long history of attracting affluent retirees (such as Bend, Oregon) provide a clear illustration of the benefits of developing similar communities and using property tax revenues to fund world-class parks, roads, schools, and other public services and facilities.

SKAGIT COUNTY
BOARD OF COMMISSIONERS

RON WESEN, First District
KENNETH A. DAHLSTEDT, Second District
LISA JANICKI, Third District

March 11, 2016

Bob Carmichael
Carmichael Clark, P.S.
1700 D Street
Bellingham WA 98225

Via email to: bob@carmichaelclark.com

Mr. Carmichael:

We have received and considered your letter of February 12 requesting amendment to the Countywide Planning Policies to facilitate the creation of a fully contained community at Avalon Golf Course.

As you know, this Board considered your proposal as part of its deliberation on the 2015 Comprehensive Plan Amendments docket. In December 2015, as part of establishing the docket, we decided to defer your proposal for possible inclusion in next year's docket.

We remain convinced that now is not the time for consideration of this proposal when the County and all the cities and towns are completing their 8-year Comprehensive Plan updates and our growth projections show sufficient or excessive residential capacity in our existing UGAs. But we also realize on a longer term basis, we need to plan for future urban growth. RCW 36.70A.350 would allow the County to create a community reserve at any time after the 2016 Update so long as:

- the reservation occurs concurrent with a once-per-year amendment to the County's Comprehensive Plan;
- the reservation occurs through amendment of the Countywide Planning policies;
- the partners to the 2002 Framework Agreement (the cities and towns) agree with the amendments to the Countywide Planning policies.

It is possible that at some point in the future, the County's existing urban growth areas will run out of capacity for new urban growth. The appropriate approach to planning for that possibility is to conduct a countywide analysis of the appropriate locations for future urban growth areas and to develop a forecast for when those future urban growth areas may be required.

After the Comprehensive Plan update is complete, we will suggest that the GMA Steering Committee add such an analysis to its 2017 work program (which currently includes development of a program to monitor land development including UGA capacities), so that we can work with the cities and towns to evaluate these future needs. After the analysis is complete, we could suggest a public participation process for vetting a plan for accommodating future urban growth through the GMA Steering Committee and the County Planning Commission.

BOARD OF SKAGIT COUNTY COMMISSIONERS

Lisa Janicki

Lisa Janicki, Chair

Ron Wesen

Ron Wesen, Commissioner

Kenneth A. Dahlstedt

Kenneth A. Dahlstedt, Commissioner

SKAGIT COUNTY Parks and Recreation

Avalon Community Plan
PO Box 29840
Bellingham, WA 98228

Regarding: Avalon Community Development Plan

Dear Mr. Sygitowicz,

Thank you for allowing me the opportunity to review your preliminary Avalon Community Development Plan. As a parks provider we appreciate the opportunity to participate early in the process. Civic infrastructure, such as trails, green spaces and parks are important to building healthy, active and desirable communities. We appreciate knowing that you are approaching your planning process from a similar mindset.

Your concept of a synergistic plan that combines spaces for multiple uses resonates well with our parks department. A school that can function as a community park has been done very successfully at other locations in the County and we are supportive of seeing similar examples in other locations as Skagit County's population expands.

Please make sure to keep us involved in the process as you continue to formulate and refine your plan for Avalon. We would very much appreciate receiving an electronic version of the most current plan you shared at the meeting this week.

Sincerely,

Brian Adams, Director
Skagit County Parks and Recreation
1730 Continental Place
Mount Vernon WA 98273

1730 Continental Place
Mount Vernon, WA 98273

(360)416-1350 phone

http://skagitcounty.net/offices/parks/index.htm

2195 Nulle Road
Bellingham, WA 98229-9329
Phone: (360)-734-5664
Fax: (360)-715-1626
e-mail: samishwaterdistrict@comcast.net

June 20, 2016

Bill Sygitowicz, Owner
Vineyard Development Group, LLC
PO Box 29840
Bellingham, WA 98228

Subject: Sewer for Avalon; a Master Planned Community

Dear Mr. Sygitowicz;

On behalf of the Board of Directors of the Samish Water District, let me extend our appreciation for your insightful presentation and vision of the proposed Avalon Master Planned Community surrounding the Avalon golf links. The Board has authorized me to write a letter stating that sewer service will be provided based on the approval of the Growth Management Board, Skagit County and to the capability of the District to provide said service.

If the District can be of any service, please feel free to contact me.

Sincerely

Byron Gaines
District Manager
Samish Water District
360-734-5664

Attachment O

Skagit PUD
PUBLIC UTILITY DISTRICT

1415 Freeway Drive
P.O. BOX 1436
Mount Vernon, WA 98273-1436

tel: (360) 424-7104

www.SkagitPUD.org

Owned by the people we serve.

July 14, 2016

Bill Sygitowicz
Vineyard Development
Post Office Box 29840
Bellingham, WA 98228

RE: Avalon Plat Development
Proposed Residential Development
Water Availability

Dear Mr. Bill Sygitowicz:

In response to your request, Public Utility District No. 1 of Skagit County (District) has reviewed the above referenced development with regard to water availability and offers the following comments:

- The District **presently owns and operates** an 8-inch water pipeline along Kelleher Road from Old Highway 99 North Road east approximately 870 feet, ending near the Humane Society of Skagit Valley.
- The District has **sufficient supply to furnish domestic water** to the proposed plat.
- **To provide water service to the proposed development** may be require upsizing of the existing 8-inch water line on Kelleher Road to 12-inch as well as require installation of a 12-inch ductile iron water pipeline to serve a proposed storage tank. An 8-inch ductile iron water pipelines with appurtenances, may be required throughout the plat. A storage tank(s) with Telemetry/SCADA communication will also be required to serve the proposed development, tank size will be calculated based on development build-out and District requirements. Water system extensions, improvements, or new facilities are to be constructed in accordance with District requirements and design criteria, with all costs to be borne by the developer. Water system improvements are to be coordinated through the District by the developer's licensed engineer and private contractor.
- Upon receipt of water pipeline design plans, District personnel can review the project and determine engineering, tie-in, and inspection costs.
- Any Public Utility District owned water pipelines on private property will require a minimum of a 20-foot wide easement.
- Upon completion of any necessary water system improvements, receipt of the necessary fees, addresses, copies of building permits and site plans, separate domestic metered water services can be installed to serve the proposed lots.
- Present fees for Type-III **standard** metered water services are as follows:

Size	Service Fee	SDF*	Total
5/8-inch	$345.00	$4,420.00	$4,765.00
3/4-inch	$370.00	$6,630.00	$7,000.00
1-inch	$480.00	$11,050.00	$11,530.00

*SDF = System Development Fee

- Upon request, fees for metered water services larger than 1-inch can be determined by District personnel.

- The current standard service design and bill of materials do not allow for the installation of a residential fire sprinkler system. If a residential fire sprinkler system is required or desired, then the service line size, the meter location, and the bill of materials will need to be reviewed, and possibly revised, by the District.
- **Meter Sizing.** For water services other than for single-family residences, applicants are to submit a complete list of fixtures with their respective equivalent fixture values, and minimum meter size necessary based on the most current Uniform Plumbing Code (UPC). Irrigation demand shall also be included in these calculations. This can be completed by the applicant's licensed architect, mechanical engineer or plumber. The portion(s) of the UPC (Chapter 6, Appendix A, etc.) used for fixture unit values and meter sizing is to be noted on the submittal, along with the preparer's name, signature, license number and phone number.
- **Cross Connection Control.** The current Washington Administrative Code (WAC) 246-290-490, states the water purveyor is to protect the public water system from contamination via cross-connections. The water purveyor's responsibility for cross-connection control begins at the water supply and ends at the point of delivery to the consumer's water system, the water meter. Under RCW 19.27, the Administrative Authority (building department) is responsible for cross-connection protection within the consumer's water system and property lines.
- To protect the public water supply, the District may require premise isolation of a facility based on the highest potential health risk from potential or actual onsite cross-connection and/or within the building. Appropriate planning should address the possible requirement of a Reduced Pressure Backflow Assembly (RPBA) or Double Check Valve Assembly (DCVA) to be installed immediately after any metered water service or fire service connection, now or in the future. DCVAs can be installed below ground with brass plugs in the test cocks. RPBAs are to be installed above ground and protected from freezing and abuse and with a minimum of 12-inches of clearance below the assembly to finish grade. If the RPBA is installed in an above ground enclosure, the enclosure must have a drain opening adequately sized to handle the maximum flow of the relief valve.
- For new water services, 2-inch and smaller, a dual check valve will be included in the meter assembly. The check valves will create a closed pressure zone within the customer's plumbing system. Installation and maintenance of a thermal expansion tank and pressure/temperature relief valve is necessary to satisfy building regulations. Consult with a licensed plumber, the appropriate local building department, and the Uniform Plumbing Code for the specific requirements.
- Fire hydrant location and requirements are the responsibility of the Skagit County Fire Marshal and plans must be submitted to the Fire Marshal for review.

The comments in this letter are based on information available at the rime of writing. Modification to the water system or policy change can make the information provided outdated. A re-evaluation of the comments is necessary one year after the date of this letter.

Thank you for this opportunity to review and comment on water availability to the above property.

Sincerely

Michael E. Demers
Engineering Technician

Burlington - Edison Public Schools

Laurel W. Browning
Superintendent

927 East Fairhaven Avenue Burlington, WA 98233
(360) 757-3311 Fax (360) 755-9198

July 26, 2016

Vineyard Development
C/O Bill Sygitowicz, Owner
PO Box 29840
Bellingham, WA 98228

Re: Avalon Community Development Project of Butler Hill

Dear Bill Sygitowicz:

Thank you for the opportunity to engage in discussions about the proposed Avalon Community Development Plan of Butler Hill. As we discussed, the proposed development will create a significant number of family residences within the Burlington-Edison School District. We currently have approximately 3600 students in four K-8 grade schools, one p-6 grade school and one 9-12 grade high school. The completed development of 3000 homes could conservatively add 1500 more students. This is based on a facilities study done that calculated student generated rates in 2010. If for some reason the type of housing constructed changed to high density these numbers could double. This will impact the District's ability to provide classroom space for the increased student population within this development and at our high school.

The Board recently reviewed its District properties for possible school development, and we are unable to build on District land to house these students. The District cannot commit to the development of a school or schools within the Avalon Community Project as there are many factors that must be considered prior to making this decision, however, the District would urge that suitable land be set aside for essential school facilities based upon the ultimate approved plan. To house 750 students, it would require 12-14 acres per school site. Since the District would need to ask the public for support in passing bonds for new structures, we would ask that the property for school sites be made available at no cost to the District.

The District is supportive of integrated infrastructures that enhance the community and that are well planned. We are interested in the concept of schools being connected to County parks and trails. Thank you for including the Burlington-Edison School District in the planning process of this project.

Sincerely,

Richard Wesen

Rich Wesen
Board President

1601 Fifth Avenue, Suite 1600 Seattle, WA 98101 206.622.5822 kpff.com

July 28, 2016

Ms. Simi Jain
Carmichael Clark, P.S.
1700 S Street
Bellingham, WA 98225

Subject: Avalon
Infrastructure Context

Dear Simi:

The purpose of this letter is to provide additional context and relative benefits of existing infrastructure already serving the area of the Avalon proposal.

In the last 40 years, large-scale planned communities in the Puget Sound region have typically been added on the eastern or western edges of the urban growth boundaries of King, Pierce, Snohomish, Thurston, and Kitsap counties. With some exceptions, major transportation and utility infrastructure corridors in the region generally orient to serve the north-to-south line of communities paralleling Interstate 5 and Puget Sound.

Prior to development, large-scale planned communities in the region, such as Redmond Ridge, Tehaleh, McCormick Woods, Snoqualmie Ridge, Oakpointe, and The Villages, have been outside of this central corridor, and as such, at the outset have lacked requisite major transportation and/or utility infrastructure. Planned communities have therefore had to plan, permit, and construct substantial infrastructure in order to provide basic services. This translates directly into higher home costs as the infrastructure investment is recovered by home sales.

The Avalon development is unique in its adjacency to Interstate 5 and to major sanitary sewer, domestic water, and franchise utility infrastructure with a capacity to serve new urban density development. It is also unique in that its water and sewer service providers, Skagit PUD, Samish Water District, and the City of Burlington, have substantial available conveyance capacity as well as resource and treatment capacity. Avalon will need to construct off-site infrastructure improvements, but at a much smaller scale and over much shorter distances than other typical large-scale planned communities, which will in turn translate to lower home prices.

For comparison, infrastructure cost considerations for typical large-scale planned communities such as those named above include:

Transportation
Large-scale planned communities typically must extend, widen, and/or construct new major arterials for miles from state and federal highways. The scope of these efforts involves substantial right-of-way acquisition, roadway grading and paving, stormwater mitigation, and traffic control systems such as roundabouts and new signalized intersections.

These transportation corridor improvements often involve environmental impacts to water courses, wetlands, and wildlife habitat which must be mitigated at additional cost. Based on historic cost data for existing communities, transportation improvement costs may be on the order of $75 to $150 million or more for a new community, depending on scope of development and location.

Sanitary Sewer
Large-scale planned communities typically cannot simply extend gravity sewer mains from nearby municipalities or utility districts, and when gravity sewer extension is possible the treatment capacity is usually not available in the municipal or district system being extended. Therefore, new planned communities are often constructing large-scale sewer lift station facilities and transmission networks as well as investing in sewer treatment upgrades at municipal or utility district treatment plants providing service. Alternatively, new communities may construct their own sewer treatment and disposal facilities on site. Based on historic data for existing communities, construction of major sewer pump and conveyance systems or construction of a new sewer treatment plant and disposal systems can cost $25 to $50 million or more, depending on the demand and location of the new community.

Domestic Water
New large-diameter water mains typically must be extended for miles from nearby utility districts or municipalities to serve new large-scale planned communities. Long-distance main extensions require additional reservoir and pressure boosting or pressure reduction facilities. In many cases, nearby municipal or district water providers do not have water rights or well supplies of sufficient capacity for the new community, and new water sources must be permitted and constructed. Based on historic data for existing communities, water service for a new planned community can cost $10 to $25 million or more, depending on demand and location of the community.

It is our opinion that given Avalon's location and proximity to utility district and municipal utility purveyors, the above infrastructure development costs will be less for Avalon. We hope that this provides some context for the relative benefits of the location of the Avalon proposal and the existing utility systems in place. If you have any questions, please feel free to call me at (206) 622-5822.

Sincerely,

Jeremy Febus, PE
Principal

JSF:kjl

1600263

PUGET SOUND Trends .... Nº D7 • JUNE 2012

Population Change and Migration

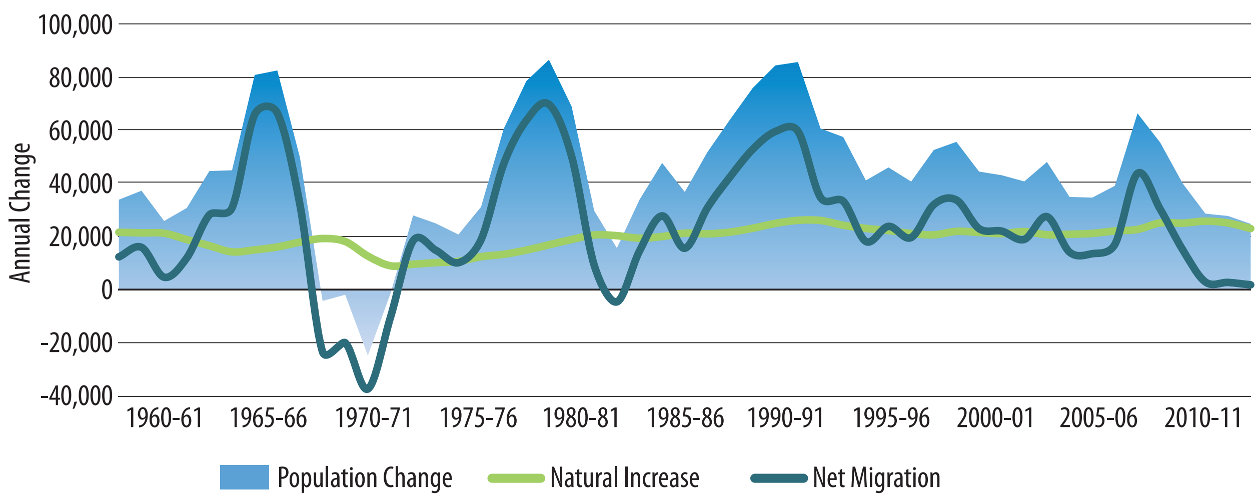
Fewer people moved into the central Puget Sound region in the 2000s compared to the previous two decades, showing the effects of two significant recessions and the bursting housing bubble that made it harder for people to find or change jobs, sell their houses and relocate.

Components of Population Change and Migration

Population change is a function of two components: **natural increase** (births minus deaths) and **net migration** (people moving into an area minus people moving out). Since 1960, according to estimates by the state Office of Financial Management (OFM), net migration has contributed 55% of the region's total population growth while natural increase accounted for the other 45%.

Net migration is the primary driver behind population growth trends in the region. While growth from natural increase remains relatively stable from year to year, net migration is far more volatile, rising and falling in response to the strength of job opportunities and attractions in the central Puget Sound relative to other places. Federal policy governing international migration flows can also play a role.

Figure 1. Annual Population Change by Component, Central Puget Sound Region



Source: OFM

Puget Sound Regional Council
information center
1011 Western Avenue, Suite 500
Seattle, Washington 98104
206-464-7532 • info@psrc.org • psrc.org

Table 1. Components of Population Change by County, Central Puget Sound Region

	1960-1970	1970-1980	1980-1990	1990-2000	2000-2010	% Share by Component 2000-2010	1960-2010	% Share by Component 1960-2010
King								
Net Migration	119,700	55,700	140,700	120,400	75,600	38.9%	512,000	51.4%
Natural Increase	104,700	54,900	96,700	109,300	118,700	61.1%	484,200	48.6%
Total Population Change	224,400	110,500	237,400	229,700	194,200	—	996,200	—
Kitsap								
Net Migration	9,800	36,400	26,000	24,400	7,700	40.3%	104,400	62.5%
Natural Increase	7,700	9,000	16,600	17,800	11,400	59.7%	62,600	37.5%
Total Population Change	17,600	45,400	42,600	42,200	19,200	—	167,000	—
Pierce								
Net Migration	46,600	33,800	44,200	62,300	42,400	45.0%	229,300	48.4%
Natural Increase	44,200	39,500	56,400	52,400	52,000	55.0%	244,400	51.6%
Total Population Change	90,800	73,300	100,500	114,600	94,400	—	473,600	—
Snohomish								
Net Migration	68,200	48,700	87,000	92,400	59,500	55.4%	355,700	65.7%
Natural Increase	24,900	23,700	40,900	48,000	47,800	44.6%	185,400	34.3%
Total Population Change	93,000	72,500	127,900	140,400	107,300	—	541,100	—
Region								
Net Migration	244,200	174,700	297,800	299,500	185,200	44.6%	1,201,400	55.2%
Natural Increase	181,500	127,100	210,600	227,500	229,900	55.4%	976,600	44.8%
Total Population Change	425,700	301,800	508,400	527,000	415,100	—	2,178,000	—

Source: OFM

The region grew by 415,000 persons over the last decade from 2000 to 2010. This level of growth was comparatively lower than the two preceding decades when the region grew by well over a million people — 508,000 during the 1980s and 527,000 during the 1990s. The difference is due to substantially lower levels of net migration — 185,000 persons during the 2000s, compared to 300,000 per decade during the 1980s and 1990s. Recent trends reflect the impact of two severe recessions on the regional economy, complicated by the national housing crisis that constrained mobility for numerous households owing more on a home than its worth.

Net migration accounted for just 45% of population growth in the region during the 2000s, compared to 55% on average from 1960 to 2010. These trends held across each of the region's four counties, to varying degrees. Net migration constituted just 39% and 40% of King and Kitsap counties' population growth over the last decade, compared to averages of 51% and 63% over the past 50 years. In Snohomish County, net migration contributed a notably higher share of its last decade's growth than in the region's other counties, 55%, although this was a level still significantly lower than its 50-year average of 66%. Pierce was the only county for which recent net migration levels over the past decade, 45%, were relatively consistent with its 50-year average of 48%; major expansion of military personnel at Joint Base Lewis-McChord was likely a factor.

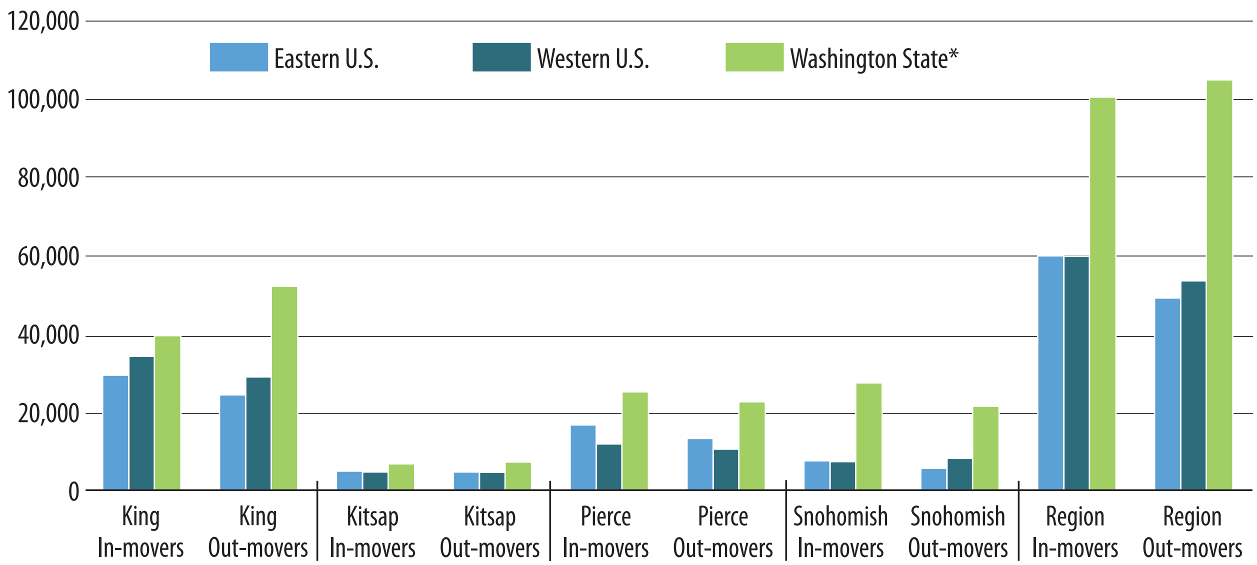
County-to-County Migration Trends

Census Bureau data on county-to-county migration flows provides additional detail about the geographic component of where people are moving to and from. The data come from the 2005-2009 American Community Survey, and the question asked was where the person lived one year previous to filling out the census questionnaire.

Over that five-year period, the biggest contribution to regional in-migration came from within Washington state, with nearly 40% of all in-movers to the Puget Sound region coming from other Washington counties. However, slightly more of the region's residents moved the other way to other parts of Washington state during this same period. This trend was mostly driven by migration flows to and from King County, where the number of county residents who moved to other parts of the state outside the region was 31% greater than the number who moved to King County.

This trend for King County held for movement within the region as well. The number who moved to the other regional counties was nearly 45% greater than those moving into the county. Most of this movement out of King County went to Pierce and Snohomish counties, which both had considerably more movement into those counties than out of them. Looking beyond in-state migration, approximately equal numbers of people came here from both the eastern and western regions of the United States, while fewer went the other way.

Figure 2. Migration to and from Region



*Note: Does not include movement within Puget Sound region.
Source: Census Bureau – American Community Survey (ACS)

Table 2. Percent Movers within Region by County

	In-movers		Out-movers	
	Estimate	Margin of Error	Estimate	Margin of Error
King	36.4%	2.2%	52.6%	2.0%
Kitsap	6.9%	1.2%	7.2%	1.0%
Pierce	27.6%	2.1%	20.1%	1.9%
Snohomish	29.0%	1.4%	20.2%	1.8%
Region	100.0%	0.0%	100.0%	0.0%

Source: Census Bureau – American Community Survey (ACS)

Data Note: The Washington Office of Financial Management (OFM) and Census Bureau's American Community Survey (ACS) use different methodologies to estimate in- and out-migration. As such, the estimates reported by the two datasets may differ substantially. It is recommended that the OFM dataset be used for actual numeric estimates, whereas the ACS dataset be used to derive migration flow patterns.

Copies of this *Puget Sound Trend* are available at psrc.org and through the PSRC Information Center at 206-464-7532, info@psrc.org. For questions about the data presented in this *Trend*, contact Neil Kilgren at 206-971-3602 or nkilgren@psrc.org.

From the Puget Sound Business Journal:
http://www.bizjournals.com/seattle/blog/health-care-inc/2015/02/billgates-backed-company-eyes-historic-skagit.html

Bill Gates-backed company eyes historic Skagit County hospital site for major expansion

Feb 17, 2015, 1:34pm PST

In Skagit County, a homegrown company could could be the answer to a 40-year-old problem: what to do with a long-vacant property.

PORT OF SKAGIT | CARL MOLESWORTH
Janicki Bioenergy is proposing to use the historic Northern State Hospital property in Sedro-Woolley in Skagit County for a research-and-development site where around 1,000 people would work.

Janicki Bioenergy is proposing to turn the historic Northern State Hospital site in Sedro-Woolley into a research-and-development facility where as many as 1,000 people could work in the next five years.

Janicki is the company behind a clean-water OmniProcessor technology that the **Bill & Melinda Gates Foundation** is backing, and the company plans to develop other sanitation and energy technologies.

The OmniProcessor uses heat and steam to turn human feces into potable water. In a blog post last month, Bill Gates drank water out of jar filled directly from the machine, and he later challenged Jimmy Fallon to drink up during a "Tonight Show" appearance.

Peter Janicki, a co-founder of Janicki Bioenergy, said that since then people from more than 50 countries have contacted the company about buying machines.

With funding from the Gates Foundation, Janicki Bioenergy is hiring 65 people this year and has big plans for the property that operated as a mental hospital until closing in 1973. The company wants to break ground on the R&D facility by the end of the year.

"We are very eager to get to work," said Janicki.

He is a native of Sedro-Wooley, a town of 10,650 on Highway 20 about 10 miles east of Interstate 5.

Officials from the city, Port of Skagit and the county are trying to clear the way for re-development of the state-managed property that is on the **National Register of Historic Places**. On Friday, state and local officials issued a press release stating that a "memorandum of intent" could be finalized in April. The memo will outline transferring the property to local control through a long-term lease or ownership transfer.

Janicki said he would like state officials to decide the matter by this spring. The company is also looking at an OmniProcessor assembly site in Utah, but Janicki said he prefers the site in his hometown if the company's timetable can be met.

The renowned Olmsted Brothers landscape architecture firm designed the hospital site. Janicki Bioenergy envisions using renovated existing historic buildings as training facilities, meeting and conference space and short-term housing for visitors, and office and research space.

The chance to help a local company generate local jobs with a humanitarian mission is a "once-in-a-lifetime opportunity...," Skagit County Commissioner Ken Dahlstedt said in the press release.

State Sen. Kirk Pearson, R-Monroe, is sponsoring legislation that would grant the state Department of Enterprise Services the authority to pursue a long-term arrangement with the port for the Northern State Hospital campus.

Marc Stiles
Staff Writer
Puget Sound Business Journal

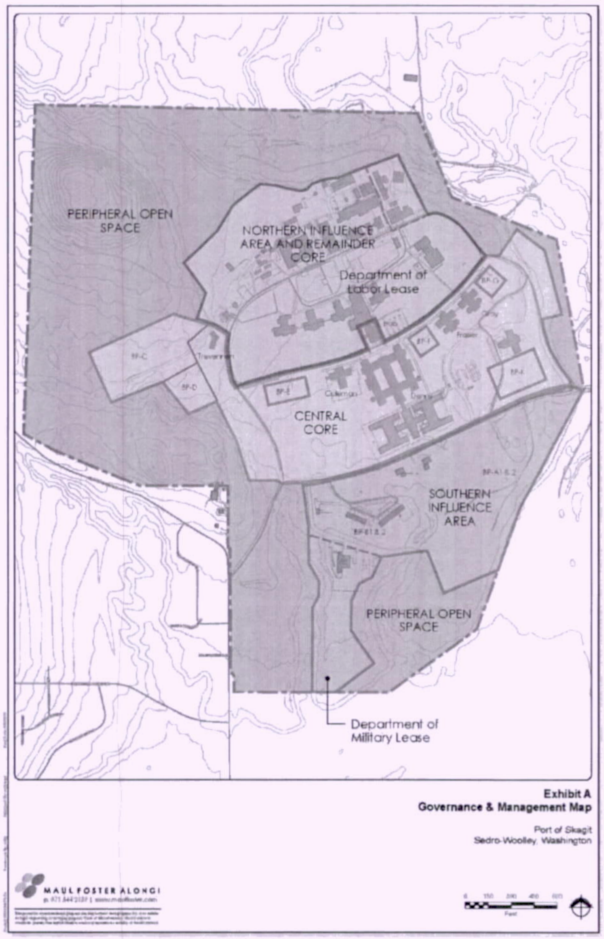
Attachment T

https://www.goskagit.com/news/port-expands-janicki-lease-at-swift-center/article_d8b53775-ecb1-51b8-91cf-e4e0de2eebc2.html

FEATURED

Port expands Janicki lease at SWIFT Center

By JULIA-GRACE SANDERS @JuliaGrace_SVH Jun 16, 2018



The Port of Skagit approved a new lease this week with Janicki Bioenergy that will allow the company to expand at the Sedro-Woolley Innovation for Tomorrow (SWIFT) Center.

The lease approved during a port commissioners meeting gives the company the ability to expand beyond the southern part of campus covered in a previous lease.

The lease establishes a partnership between the port, Janicki Bioenergy and the city of Sedro-Woolley to develop the SWIFT Center campus, said Scott Peterson, the port's director of business development and real estate.

"We feel the private sector can redevelop and develop that campus a lot more effectively than we can as government," Peterson said. "It costs us more to build and operate so we think long-term the taxpayers are better represented."

With the new lease, Janicki will be able to expand into other parts of the campus once it completes construction of its first building on the south campus, Peterson said in an email.

"We feel a local business family that has done great work in the community is a good partner to move this campus forward," he said.

The port will assume ownership of all but about 7 acres of the campus — the former site of Northern State Hospital — on July 1 in an agreement with the state Department of Enterprise Services, which managed the campus for several decades.

The agreement has been several years in the making. Under the port's ownership, the campus will be opened to the public.

Before revamping the lease, Janicki had planned to build four 40,000-square-foot buildings one at a time along the southern portion of the campus, from west to east.

With more options under the new lease, the company is reassessing.

"Having spent more time understanding the potential of existing buildings and existing sites, we don't want to limit ourselves to that plan specifically," Janicki Bioenergy President Sara VanTassel said.

The first building is still in the planning stages, VanTassel said, and Janicki Bioenergy hopes to begin construction in 2019.

The extra space under the new lease will make room for a new vision of what Janicki can build at the SWIFT Center.

"We expect this campus could and will be the headquarters for a wide range of technology and development silos in a wide range of industries," VanTassel said. "We're envisioning that on a campus level instead of just the southern influence area now."

The port, city of Sedro-Woolley and Janicki Bioenergy will form a committee to steer the development of the campus, Peterson said, but the port will remain in control of the land.

"There's nothing to prevent (Janicki) from showing us (they) have the ability to take over the whole campus — it's possible," Peterson said.

VanTassel said the campus will allow Janicki Bioenergy to bring partner companies on site.

"I think there will always be a variety of buildings," she said. "It's hard to tell the future, but I think there's going to be a lot of complementary businesses."

The new lease allows Janicki to terminate the contract at no cost or penalty within the first year.

— Reporter Julia-Grace Sanders: 360-416-2145,

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JSanders

From the Puget Sound Business Journal:
http://www.bizjournals.com/seattle/news/2015/01/07/kent-aerospace-supplier-expands-partners-with.html

Burlington aerospace supplier expands, partners with state to train workers

Jan 7, 2015, 2:48pm PST **Updated: Jan 7, 2015, 3:57pm PST**

HEXCEL PHOTO

Hexcel is adding 70,000 square feet to this building to accommodate aerospace growth. The company is partnering with the state to train new workers for the facility.

Washington state has teamed up with a Burlington aerospace manufacturer to train about 40 aerospace workers in advanced composites techniques. **Hexcel Corp.**, which will pay about 20 percent of the cost of training the workers, is the 12th company to receive this support from the state since 2013.

The workers will be trained at Hexcel's facility, where the company itself is already in growth mode. As a response to growth at **Boeing**, Hexcel is adding 70,000 square feet of space to its facility.

Hexcel, which is traded on the NYSE under the ticker HXL, makes carbon fiber composites, which are increasingly popular with aerospace manufacturers. Boeing's 787 Dreamliner has a variety of carbon fiber parts.

"Hexcel is very pleased to benefit from this grant. By providing funding to train our workforce, it is another great step for Washington state's drive to be a center of excellence for aerospace," said Jim Collins, Hexcel's plant manager.

The program, called WorkStart, is intended to encourage aerospace companies to remain or grow in Washington, said Alex Pietsch, director of the state's office of aerospace.

"We have limited tools here to incentivize companies to grow and expand," Pietsch said. "One of the things the state does know how to do is train workers."

The program has so far trained 714 workers.

A few aerospace supply companies have opened sites in North Charleston, S.C. since Boeing started making 787 Dreamliners there, the epicenter of the supply chain continues to be in Washington state. Building on the skill base is one tactic the state is using to keep it that way.

"Companies serving aerospace and other industry sectors that are using more advanced carbon fiber composites need a workforce with very specialized skills, often unique to their particular production processes," said Commerce Director Brian Bonlender, in a statement. "The WorkStart program is designed to get workers ready to go and on the floor with the necessary expertise quickly and cost-effectively."

The training will be coordinated through Skagit Valley Community College, said Sean Meehan, director of the WorkStart program for the Department of Commerce.

"It opens up those folks to increased career opportunities," he said.

Steve Wilhelm
Staff Writer
Puget Sound Business Journal

Attachment V

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News

Home / News / New Janicki project could bring 1,000 jobs to county

New Janicki project could bring 1,000 jobs to county

March 3, 2015

By Hilary Parker

Archives

A highlight of Feb. 19's Forecast Dinner was Peter Janicki's presentation on his newest venture, Janicki Bioengery.

Born out of a desire to help make a difference to the world's 2.5 billion people still without access to clean drinking water and proper sanitation, Janicki has developed the "Omni Processor" to turn sewer sludge into clean drinking water.

The Omni Processor converts the sludge biomass into steam and a dry byproduct. The steam is captured and turned into clean drinking water while the byproduct is used to generate energy. Excess energy is sold back to the community.

"I don't think anybody has ever turned sewer sludge into money," Janicki said.

Fifty engineers currently are working on the processor, and Janicki hopes to double that number by the end of the year. His goal, within five years, is to build one processor per day, with profits going back into research and development for additional innovations to aid developing countries.

Demand is already great: Of 196 countries in the world, 194 have already expressed interest in bringing the technology to their country.

Janicki Bioenergy is still in its infancy, and is looking for a permanent home where it can manufacture the Omni Processor. Janicki is working with Port of Skagit, Skagit County, the City of Sedro-Woolley, EDASC and others in hopes of locating the plant at the North Cascades Gateway Center on the former Northern State hospital property.

EDASC's Don Wick, Janicki, Port of Skagit's Executive Director Patsy Martin, Commissioner Kevin Ware, Commissioner Ken Dahlstedt, and Sedro-Woolley Council Member Keith Wagoner have already traveled to Olympia to speak to House and Senate representatives about facilitating this project. It is estimated Janicki Bioenergy could bring as many as

Economist suggests reasons for optimism for 2014 recovery

Looking Ahead At 2014- A Message From EDASC Board President, Lennart Bentsen

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EDASC Receives International Award for Excellence in Economic Development

Industrial Resources Inc., Completes Engine and Incinerator Room Replacement on the M/V Excellence

Sedro Woolley City Council Votes To

1,000 jobs to Skagit County.

The project already has backing from the Bill & Melinda Gates Foundation. Watch this video HERE to learn more.

NEXT:
Skagit Refinery Impact Study

PREVIOUS:
EDASC 2015 Forecast Dinner: Year of growth, change predicted for Skagit County By Hilary Parker

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Manufacturing Matters In Skagit County

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High-Speed Internet, Without Big-City Hassles, Draws Business To Mount Vernon

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Learning By Doing At Shell Puget Sound Refinery

Mavrik Marine Relocates & Brings Jobs To Skagit County

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Industry Thrives In Pacific Northwest County

The Business Of Attracting Business To Skagit County

Janicki Industries Rapid

Attachment W

News

EDASC 2015 Forecast Dinner: Year of growth, change predicted for Skagit County By Hilary Parker

Archives

EDASC
ECONOMIC FORECAST DINNER

March 2, 2015

The 2015 EDASC Forecast Dinner drew a record 570 attendees to the event to hear a report on Skagit business and economic development in the past year as well as get a snapshot of where they are headed in the year to come.

The evening was also an opportunity to honor EDASC Executive Director Don Wick in what was his final Forecast Dinner at the helm of the organization. Wick will be retiring from his post of 28 years later this year.

Corporate Strategy Search has been selected by the EDASC recruitment committee to conduct the search for Wick’s replacement. The goal is to have a candidate identified for the position by mid-year, said EDASC Board of Directors President Mary Anstensen.

After a touching video tribute to Wick, he joked, “I don’t know who you’re talking about.” And in true Don Wick fashion, he went on to thank all those he has worked with over the past years, attributing his and EDASC’s success to the team.

Economist suggests reasons for optimism for 2014 recovery

Looking Ahead At 2014- A Message From EDASC Board President, Lennart Bentsen

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Sedro Woolley City Council Votes To

EDASC's Year in Review

2014 was another fruitful year for EDASC. New businesses are settling in Skagit County, and existing businesses are enlarging their footprint. Employment numbers are up – and at a higher level than the state average.

Last year, EDASC made 932 new contacts, assisted 300 companies with their business expansion and retention programs, helped bring $300+ million in total investment to the county, and created or retained 150 jobs, Wick reported. Additionally, more than 3,000 attended EDASC's five major events last year, and the organization attracted 32 new members.

Wick also highlighted a number of businesses, both new to the county and existing, expanding their footprint in Skagit County:

Paccar has recently added 100 jobs, and will add an additional 25 this year.

Hexcel began a major expansion last year that will result in 30 to 60 new jobs.

Team Corp. broke ground on a $4 million expansion project in August 2014. The company expects to add 70 employees once the expansion is complete later this year.

FedEx broke ground on a new $25 million, 220,000-square-foot facility that will serve Skagit County and employ 90 FedEx Ground employees.

Gielow Pickles, a family-owned Michigan company, has signed a 10-year lease with the Port of Skagit. The Port invested $600,000 to prepare the 70,000-square-foot production facility that employs 30 workers.

Oracle Racing is returning to production in Anacortes. They chose to return to Skagit County to be in close proximity to Janicki Industries. Oracle plans to be fully operational by early fall.

Reduce Some Impact Fees By As Much As 91%

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It's All In The Family

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Industry Thrives In Pacific Northwest County

The Business Of Attracting Business To Skagit County

Janicki Industries Rapid

Terrenus Resources broke ground late in 2014 on a facility to condition and stabilize Bakken crude as well as refine and produce bio-diesel.

Janicki Bioenergy is currently working with the Port of Skagit, Skagit County the City of Sedro-Woolley and EDASC to secure the North Cascades Gateway Center as the headquarters for a research and manufacturing center and development of its Omni Processor. The project would bring up to 1,000 jobs to Sedro-Woolley.

County is 'Fertile Oasis'

Next, Wick introduced Michael J. Parks, editor emeritus of Marple's Business Letter, to share his predictions for the economy in 2015. With the usual wit and insight he has brought to previous Forecast dinners, Parks said he sees Skagit County and the greater Seattle area as a "fertile oasis in a slow-growth world."

2014 showed excellent gains in employment in Skagit County, growing 3.7 percent, outpacing the state average of 2.7 percent. That's more than one-third faster than the state as a whole, Parks said.

In particular, manufacturing employment is now higher than pre-recession levels, Parks said. This is excellent news for the county's economy because manufacturing jobs pay 50 percent better on average compared to non-manufacturing wages.

On the world stage, Parks says to listen to the "music" of the global markets. With inflation missing in action, and a near-zero interest-rate policy (N-ZIRP) continuing to be the rule, the world economy is not likely to move anywhere fast.

When comparing world economies "the U.S. is the best house in kind of a dodgy neighborhood," Parks said.

Europe has been burned by a weak banking system, he explained, whereas U.S. banks have come through their rough times. China's growth rate may be lower than their government is letting on, and Japan is no longer an economic engine as its population is shrinking and

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Janicki Industries Awarded Manufacturer Of The Year By Association Of Washington Business

Economic & Fiscal Benefits Memorandum - Anacortes Bottling Facility

Ag & Aerospace Thrive in Skagit County

EDASC Announces Newly Redesigned Website

aging rapidly. Emerging countries are growing more slowly than in the past.

In comparison, Parks said, “Most [U.S.] economic indicators are growing, which is cause for encouragement.” Among those indicators, median household income is up 3.3 percent year over year and unemployment is declining. Combine those indicators with low oil prices and it’s no wonder consumer confidence is improving.

Regionally, Seattle continues its growth as a tech hub. Amazon is the behemoth of the bunch, with 9 million square feet of office space in Seattle. The Amazon Web Services division, making Amazon’s IT infrastructure available to anyone on a pay-as-you-go basis, is expected to eventually outpace the company’s retail arm.

Facebook, Dropbox, Apple and Google all have a foothold in Seattle as well.

And Boeing isn’t to be left out. While many of the aerospace giant’s white-collar jobs have left the state, Washington still employs 80,000 Boeing workers, while California trails behind at 20,000 employees. Park also predicts that with the backlog of planes to be built, Boeing may add a third production line in Renton.

Laughs at the economy’s expense

The evening wrapped up with the comic stylings of Yoram Bauman, the world’s first and only stand up economist.

“I just stand up and let the jokes trickle down,” he quipped.

With a doctorate in economics, Bauman isn’t just a funny guy, but a serious thinker who, after living in pollution-filled China for five years, now is seeking to use market-based approach to reduce emissions.

His theory: We can make pollution expensive by using “economy and the power of cap and trade to protect the environment.” By driving the cost of fossil fuels up, we reduce their demand.

His proposal: “Tax what we are burning, not what we are earning.”

His organization, Carbon WA, is advocating for a revenue-neutral carbon tax. The organization’s proposal, in part, institutes a carbon tax of $25 per metric ton CO2 on fossil fuels consumed in the state in exchange for cutting sales tax by 1 percent and eliminating the B&O tax.

Carbon WA is aiming to bring a ballot measure to the voters in November 2016.

Special thanks goes to the evening’s sponsors: Heritage Bank, Chmelik Sitkin & Davis P.S., Larson Gross, Skagit Publishing, Port of Skagit, Swinomish Casino & Lodge and US Bank.

NEXT:
New Janicki project could bring 1,000 jobs to county

PREVIOUS:
Dakota Creek Industries Launches R/V Neil Armstrong

204 West Montgomery, Mount Vernon, WA 98273
ph: 360-336-6114 | fax: 360-336-6116

Attachment X

Space for entrepreneurs coming to Skagit County

By JULIA-GRACE SANDERS @JuliaGrace_SVH Jul 3, 2018

The Northwest Innovation Resource Center plans to launch an innovation lab for startups and entrepreneurs in 2019, according to a news release from the center.

The Skagit County lab will provide space for entrepreneurs to collaborate with business leaders and other innovators, as well as provide technology resources such as printing tools, Executive Director Diane Kamionka said.

The center and Port of Skagit are discussing the possibility of opening the lab at the Sedro-Woolley Innovation for Tomorrow (SWIFT) Center in Sedro-Woolley.

"We don't know where it will be yet, but we are excited because it's part of the whole innovation campus," Port Executive Director Patsy Martin said.

Skagit County's innovation lab will be the third for the center. The first lab will launch in Everett this fall, Kamionka said, and a lab in Arlington is slated for early 2019.

"The network of labs provides the opportunity for entrepreneurs to be co-located and collaborate with each other," she said. "They benefit by all being in one location and being in a community of innovators."

The lab will provide a physical space for services the center has been providing in northwest Washington for years, Kamionka said. The nonprofit currently helps entrepreneurs develop their business strategies and connects them with business leaders.

There will be an application process for those who want to rent space for their business at the lab, Kamionka said, but renting space isn't necessary to use the lab.

— Reporter Julia-Grace Sanders: 360-416-2145,

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JSanders

Attachment Y

https://www.goskagit.com/news/port-pud-form-broadband-company/article_c8d71c78-6671-57fe-acbc-252cce75a189.html

Port, PUD form broadband company

By JULIA-GRACE SANDERS @JuliaGrace_SVH May 17, 2018

The Port of Skagit and the Skagit Public Utility District approved an agreement Tuesday to jointly oversee the construction of a fiber optic network that extends from Anacortes to Concrete.

The agreement formed a joint company called SkagitNet. The company is the latest step in an effort to connect existing networks and extend fiber optic access to rural and east county communities such as Lyman and Hamilton.

Next, the port and PUD will develop an operating plan detailing how the two will work together as SkagitNet, port Executive Director Patsy Martin said.

The port will be the managing member, Martin said, and will oversee implementation of a Community Fiber Optic Network Strategic Plan written in March 2017 by the Port, the Economic Development Alliance of Skagit County and other local organizations.

The network will consist of six fiber optic segments between Anacortes and Concrete that will deliver high speed internet access countywide.

The port is currently building two segments — Anacortes to Mount Vernon and Anacrotes to La Conner — and is in the process of designing the segment that will run from Burlington to Sedro-Woolley, Martin said.

Interlocal agreements between the port and the cities of Burlington and Mount Vernon have been finalized, and one between the port and Sedro-Woolley is in the works, Martin said.

The agreements will allow the fiber optic network to connect into the cities.

"We will ultimately have agreements with La Conner and Concrete as well," Martin said.

PUD Commission President Robbie Robertson said a partnership with the port to get a fiber optic network in place has been years in the making.

"The port recognized they needed to improve their overall system, as did we," Robertson said. "It was decided the two primary entities that were best qualified to go through this process of laying out the backbone was the port and PUD."

SkagitNet is the first company formed between a port and a public utility district in Washington for the purpose of completing a community project, he said.

Port Commissioner Kevin Ware said developing a fiber optic network will give a boost to local businesses.

"Having good internet service that's very fast is important to any employer," Ware said. "Not having that puts us at a competitive disadvantage."

Fiber optics transmit data at the speed of light, he said, while the copper wire that is common throughout the county transmits information at the speed of electricity.

"There's a huge difference between those two speeds," Ware said.

The increased efficiency of fiber optics will help rural areas of the county develop and attract businesses, he said.

"It's an exciting time," Robertson said. "Not only for the port and the PUD but for the entire Skagit County."

{span style="font-family: tahoma, arial, helvetica, sans-serif;"}{span style="font-size: 12px;"}— Reporter Julia-Grace Sanders: 360-416-2145,{/span}{/span} {span style="font-family: tahoma, arial, helvetica, sans-serif;"}{span style="font-size: 12px;"}*jsanders@skagitpublishing.com, Twitter: @JuliaGrace_SVH*{/span}{/span}{p style="color: #000000; font-family: tahoma, arial, helvetica, sans-serif; font-size: 12px;"}{p style="color: #000000; font-family: tahoma, arial, helvetica, sans-serif; font-size: 12px;"}

JSanders

Attachment Z

Jobs Created in the U.S. When a Home is Built

BY **PAUL EMRATH** *on* **MAY 2, 2014** • (**17**)

In an **article published the first day of this month**, NAHB released new estimates of the impact that building single-family and multifamily homes has on the U.S. economy. The new estimates show that building an average single-family home generates 2.97 jobs, measured in full-time equivalents (enough work to keep one worker employed for a year).

A substantial share of this is employment for construction workers. But also included is employment in firms that manufacture building products, transport and sell products, and provide professional services to home builders and buyers (e.g., architects and real estate agents). A breakdown by industry is shown below, along with the wages and business profits generated in the process.

Income/Employment Impacts of Building a Single-family Home on the U.S. Economy

	Full Time Equivalent Jobs	Wages and Salaries	Profits Before Taxes: Proprietors	Profits Before Taxes: Corpor-ations	Wages and Profits Combined
All industries	**2.97**	**$162,080**	**$61,273**	**$57,081**	**$280,433**
Construction	1.76	$95,875	$38,661	$16,965	$151,501
Manufacturing	0.37	$19,063	$1,679	$15,681	$36,422
Trade, Transportation & Warehousing	0.38	$16,721	$2,659	$7,772	$27,151
Finance and insurance	0.06	$5,202	$127	$3,759	$9,088
Real estate and rental and leasing	0.02	$1,289	$7,009	$1,738	$10,036
Professional, Management, Admin. services	0.21	$14,192	$3,964	$2,646	$20,802
Other	0.18	$9,738	$7,175	$8,520	$25,433

Wages and profits are subject to a variety of taxes and fees. The national impacts of building an average single-family home include $74,354 in federal taxes and $36,603 in state and local fees and taxes, for a total of $110,957 in revenue for governments at all levels.

The article also shows equivalent estimates for building an average rental apartment, including 1.13 (full-time equivalent) jobs, with a breakdown by industry as shown below.

Income/Employment Impacts of Building a Multifamily Rental Apartment

	Full Time Equivalent Jobs	Wages and Salaries	Profits Before Taxes: Proprietors	Profits Before Taxes: Corpor-ations	Wages and Profits Combined
All industries	**1.13**	**$60,877**	**$24,393**	**$22,445**	**$107,715**
Construction	0.68	$36,874	$17,949	$7,876	$62,699
Manufacturing	0.14	$7,747	$507	$6,153	$14,407
Trade, Transportation & Warehousing	0.17	$7,328	$1,179	$3,336	$11,843
Finance and insurance	0.01	$1,199	$33	$907	$2,139
Real estate and rental and leasing	0.01	$391	$1,333	$678	$2,402
Professional, Management, Admin. services	0.06	$4,204	$1,019	$646	$5,869
Other	0.06	$3,133	$2,373	$2,850	$8,357

Estimates of wages and jobs garner the most attention, but in industries like construction and real estate it can also be worthwhile to look at profits generated for business proprietors. Included in this category are many construction subcontractors and real estate brokers with relatively modest incomes, who are organized as independent contractors and therefore not technically counted as having jobs—although casual observers no doubt tend to think of them that way.

The impacts of building an average rental apartment include $28,375 in federal taxes and $14,008 in state and local fees and taxes, for a total of $42,383 in revenue for governments at all levels. For more details and assumptions used to produce the above estimates, consult the **full article**.

And keep in mind that these are national estimates, designed for use when the impacts on suppliers of goods and services across the country are of interest. Avoid trying to use national estimates to say something about impacts at the state or local level. For that, keep referring to NAHB's **Local Economic Impact** web page.

‹ **Baths Edge Kitchens for Most Common Remodeling Project in 2013**

The Employment Situation for April – Unemployment Rate 6.3% – It's Not What You Think ›

Tags: **economics**, **employment**, **home building**, **housing**, **impact**, **jobs**, **multifamily**, **national impact**, **single-family**, **taxes**

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1. **Christina Khandan - Real Estate Agent**

View **May 2, 2014**

Reblogged this on **Southern California Real Estate – IrvineHomeBlog.com** and commented:
As Unemployment numbers get better, we can see more buyers stepping in. Interest Rates holding their own and down a bit have helped many buyers. In Irvine, Ca builders are rolling out New developments like Orchard Hills which is expected to receive massive demand.

Reply

2. **How Many US Jobs Does A New Home Create? | EleBlog**

HousingEconomics.com NAHB

Impact of Home Building and Remodeling on the U.S. Economy

May 1, 2014
By Paul Emrath, Ph.D.
Economics and Housing Policy

This article updates NAHB's estimates of the economic impact that residential construction has on the U.S. economy. These national estimates are designed for use when the impacts on all U.S. suppliers of goods and services to the construction industry—for example, manufacturers of building products—are of particular interest. The national estimates should not be used to try to analyze economic impacts confined to the state or local area where the housing is built. NAHB has a separate Local Economic Impact section on its web site for that.

The national estimates for 2014 include the following:

- Building an average single-family home: 2.97 jobs, $110,957 in taxes
- Building an average rental apartment: 1.13 jobs, $42,383 in taxes
- $100,000 spent on remodeling: 0.89 jobs, $29,779 in taxes

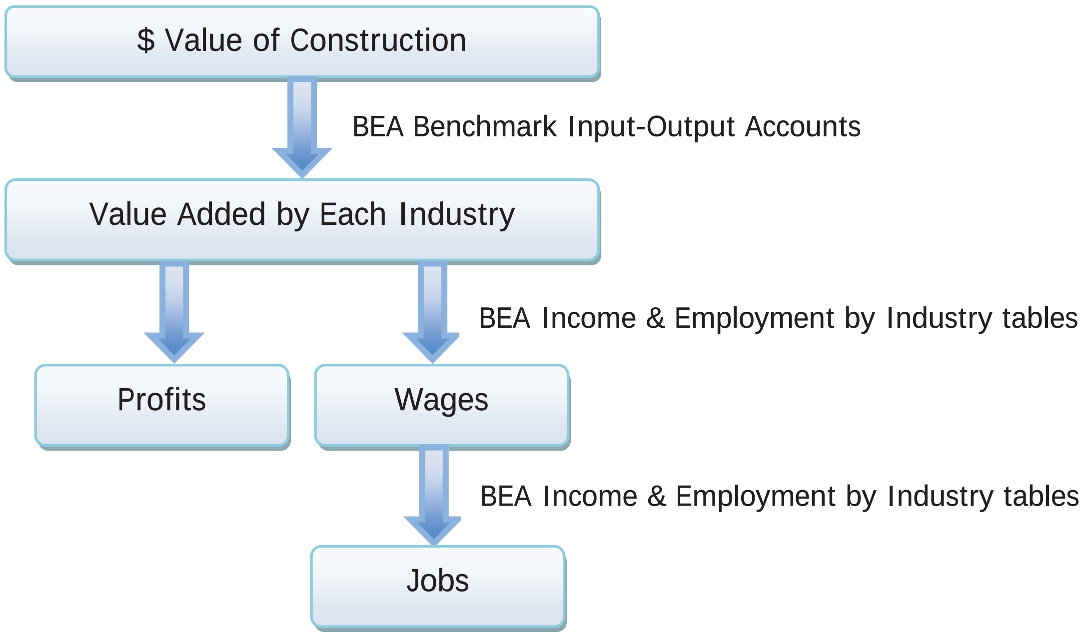
The jobs are given in full-time equivalents (full-time equivalent is enough work to keep one worker employed for a full year based on average hours worked per week in the relevant industry). The term taxes is used for revenue paid to all levels of government—federal, state, county, municipal, school district, etc. The tax estimates include various fees and charges, such as residential permit and impact fees.

The impact of a new housing unit depends on, among other things, the value of construction per unit. The first two sets of estimates are based on projections of the value of construction of average single-family homes and rental apartments that will be built in 2014. Details are provided in the following sections, which also describe the methodology used to generate the estimates, including data sources, and break down jobs by industry and government revenue by category of tax or fee.

Wages, Jobs and Profits by Industry

Probably the most obvious impacts of new construction are the jobs generated for construction workers. But, at the national level, the impact is broad-based, as jobs are generated in the industries that produce lumber, concrete, lighting fixtures, heating equipment, and other products that go into a home or remodeling project. Other jobs are generated in the process of transporting, storing and selling these projects. Still others are generated for professionals such as architects, engineers, real estate agents, lawyers, and accountants who provide services to home builders, home buyers, and remodelers.

Conceptually, estimating the effects in each industry is a fairly straightforward exercise in manipulating national accounts maintained by the U.S. Bureau of Economic Analysis, as the flow diagram below indicates:



In practice, the process is slightly more complicated than the diagram suggests, primarily because the industry categories BEA uses in the input-output accounts and income and employment by industry tables do not match up perfectly.

A key part of the process is inputting the dollar value of construction. Because this article is estimating impacts for calendar year 2014, the inputs are projected average construction values for new single-family homes and rental apartments that will be built during 2014. The projections are average construction value of $323,000 for single-family homes and $128,000 for multifamily rental apartments (equivalent to market value of $378,000 and $143,300, respectively). Details and data sources for these projections are given in the appendix. For remodeling, a construction value of $100,000 was chosen as convenient round number on roughly the same scale as construction value for a new housing unit.

The jobs, wages and salaries, and profits generated by these construction values are summarized in Table 1:

Table 1. Income/Employment Impacts of Residential Construction on the U.S. Economy

	Full Time Equivalent Jobs	Wages and Salaries	Profits Before Taxes		Wages and Profits Combined
			Proprietors	Corpor-ations	
Per New Single-family Home:					
All industries	**2.97**	**$162,080**	**$61,273**	**$57,081**	**$280,433**
Construction	1.76	$95,875	$38,661	$16,965	$151,501
Manufacturing	0.37	$19,063	$1,679	$15,681	$36,422
Wholesale & retail trade, Transportation & warehousing	0.38	$16,721	$2,659	$7,772	$27,151
Finance and insurance	0.06	$5,202	$127	$3,759	$9,088
Real estate and rental and leasing	0.02	$1,289	$7,009	$1,738	$10,036
Professional, Management, Administrative services	0.21	$14,192	$3,964	$2,646	$20,802
Other	0.18	$9,738	$7,175	$8,520	$25,433
Per New Multifamily Rental Unit:					
All industries	**1.13**	**$60,877**	**$24,393**	**$22,445**	**$107,715**
Construction	0.68	$36,874	$17,949	$7,876	$62,699
Manufacturing	0.14	$7,747	$507	$6,153	$14,407
Wholesale & retail trade, Transportation & warehousing	0.17	$7,328	$1,179	$3,336	$11,843
Finance and insurance	0.01	$1,199	$33	$907	$2,139
Real estate and rental and leasing	0.01	$391	$1,333	$678	$2,402
Professional, Management, Administrative services	0.06	$4,204	$1,019	$646	$5,869
Other	0.06	$3,133	$2,373	$2,850	$8,357
Per $100,000 Spent on Remodeling:					
All industries	**0.89**	**$48,212**	**$17,975**	**$17,215**	**$83,402**
Construction	0.55	$29,975	$12,833	$5,631	$48,439
Manufacturing	0.10	$5,550	$434	$4,872	$10,855
Wholesale & retail trade, Transportation & warehousing	0.12	$5,371	$829	$2,432	$8,632
Finance and insurance	0.01	$990	$24	$577	$1,591
Real estate and rental and leasing	0.01	$308	$759	$602	$1,668
Professional, Management, Administrative services	0.05	$3,241	$742	$492	$4,475
Other	0.05	$2,779	$2,354	$2,610	$7,743

Source: NAHB estimates, as described in the text and appendix.

The estimates are based on total requirements from the input-output accounts, so they capture not only products and services of industries directly used in construction, but the indirect effect of products and services used by those industries as well. For convenience, the table shows detail for relatively broad industry categories.

At this level of detail, the largest share of wages and salaries are generated in the construction industry, followed by manufacturing, trade & transportation & warehousing, and professional & management & administrative services.

At a more granular level, within manufacturing, substantial shares of the wages are generated in many categories of wood products (led by wood kitchen cabinet and countertop manufacturing). Outside of wood products, the largest shares of the manufacturing jobs are generated in the production of concrete, and ornamental & architectural metal products.

Within trade & transportation & warehousing, the largest shares of wages are generated in retail trade, wholesale trade, and truck transportation. Within professional & management & administrative services, the largest share by far is in architectural and engineering services.

Note that, in the construction industry, profits of proprietors are 40 percent as large as wages and salaries. Included in this category of proprietors are subcontractors. In a recent NAHB survey, two-thirds of single-family builders said they subcontracted out more than 75 percent of their construction work. Often these subcontractors are quite small, even one-person operations. The Census Bureau's most recent (2011) statistics show 1.7 million specialty trade contractors without a payroll, who have average annual revenue of under $45,000. These subcontractors are not included in the jobs figures in Table 1; because, technically, the government doesn't classify the self-employed as having jobs, although most people would probably think of them that way.

On a percentage basis, self-employment is even more of an issue in the real estate industry, where proprietor profits are several times larger than the wages and salaries generated. This is because realtor offices are conventionally organized as a group of independent contractors, who again don't meet the government criteria for having jobs and earning wages.

Taxes and Other Forms of Government Revenue

The wages and salaries of workers shown in Table 1 are subject to federal, state, and sometimes local taxes. So are the profits of businesses, whether organized as proprietorships of corporations. Beyond this, many states collect sales taxes on material sold to home builders, and local jurisdictions typically charge fees for approving building permits and extending utility services.

The amount of tax and other revenue generated for governments by new residential construction is shown in Table 2.

Table 2. Impacts on Government Revenue

	Per New Single-family Home:	Per New Multi-family Rental Unit:	Per $100,000 Spent on Remodeling:
Total government revenue generate	**$110,957**	**$42,383**	**$29,779**
Federal	**$74,354**	**$28,375**	**$21,844**
Income taxes	$37,301	$14,215	$10,828
Government social insurance*	$35,333	$13,526	$10,512
Excise taxes and customs duties	$1,720	$634	$503
State and local	**$36,603**	**$14,008**	**$7,935**
Income taxes	$10,299	$3,925	$2,990
Permit, hook-up, impact, etc. fees	$13,672	$5,427	$1,250
Sales taxes	$6,922	$2,552	$2,025
Other business taxes & license fees	$5,710	$2,105	$1,670

Source: NAHB estimates, as described in the text and appendix.

At the federal level, income taxes include those paid by corporations, receivers of dividends from corporations, proprietors, and employees. Corporate income taxes paid and dividends are available by industry from the same series of BEA income and employment by industry tables shown in the above flow chart. Otherwise, federal income tax rates of 15.00% are applied to dividends, and 24.82% to proprietors income (which incorporates a downward adjustment because the self-employed component of social security taxes is deductible). Variable income tax rates are applied to wages and salaries, depending on the industry in which they're earned, that averages to 8.689%.

Government social insurance paid by employers (which includes social security, Medicare, and unemployment insurance) is also available directly from the income and employment by industry tables. Rates of 7.65% and 15.30% are applied to wages and salaries and proprietors' profits, respectively. Derivation of these rates is shown in the appendix.

The benchmark input-output tables also generate a category called taxes on production and imports (or TOPI) by industry. Most of this is sales and other taxes collected by state governments, but BEA's government current receipts and expenditures tables show that 10.5% of TOPI is collected by the federal government—all either some form of excise tax or customs duty. Although, relatively small, this is included in Table 2 for completeness.

State and local income tax revenue is estimated as 27.6% of the federal amount in table 2, based on the same BEA government receipt tables. These tables are also used to separate state and local sales tax receipts from other forms of TOPI, primarily various types of licenses and non-residential property taxes (although TOPI includes all property taxes and estimate for the residential component was subtracted). Residential property taxes are not include in Table 2, because these are one-time revenue impacts realized roughly in the same year construction takes place, and there is uncertainty and local variation in the difference between residential vs. non-residential property tax rates and when the later on the full property value would kick in.

Finally, permit, hook-up and impact fees are estimated as 3.567% of a for-sale single-family house price from NAHB estimates described in a previous article. The same percentage is applied to estimate local construction-related fees for custom-built single-family homes and rental apartments. For remodeling, a straight 1.25% permit fee based on the cost of the remodeling project is used, based on conversations between NAHB Economics and Housing Policy staff and NAHB Remodelers.

Final Remarks

This is the first time NAHB has updated its National Impact of Home Building estimates since 2008. For new construction, single-family or multifamily, the real estimated impacts—i.e., jobs—jobs per housing unit are approximately the same now as they were then. However, given the various assumptions that go into projecting construction value per home to the current year (explained in the appendix) along with the use of completely new federal estimates of what it takes to produce a dollar's worth of construction, little should be read into this. The nominal impacts—wages, profits & taxes—are higher now than they were in 2008, but this is to be expected, given six years of general inflation, changes in house prices (partially attributable to changes in home sizes and amenities), plus a few changes in methodology designed to make the new estimates slightly more comprehensive.

For remodeling, the nominal effects per $100,000 are roughly the same in both years, but the number of jobs reported in the table is lower in 2014. Again, this is simply the result of inflation—$100,000 doesn't buy quite as much of anything, including labor, in 2014 as it did in 2008.

Impact of Home Building and Remodeling on the U.S. Economy
Special Study for NAHB's Housing Economics
May 2014

Appendix:
Assumptions Used in the Calculations

A. Value of New Construction

- Average price of a single-family home built for sale in 2013: $318,308 (average of 12 months of mean new home prices from the Census series on New Residential Sales).
- Difference between price and construction value of a home built for sale: 15.8% (for raw land, landscaping, appliances, brokers fees, and marketing & finance costs. These are taken from the Census Bureau's Construction Methodology, where they are called non-construction cost factors).
- Average market value of a new custom home built in 2013: $476,260 (1.4 times the average price of a single-family home, with the ratio of 1.4 computed using microdata from the 2011 HUD/Census Bureau American Housing Survey) Custom built homes are defined to include both contractor-built and owner-built homes.
- Difference between market value and construction value of a custom built home: 12.0% (using Census non-construction cost factors for contractor built homes, plus assuming that the 10.6% for value of raw land for homes built for sale also applies).
- Share of new single-family homes built for sale: 75% (the rounded ratio from the Census Bureau's Housing Units Started by Purpose and Design for 2012).
- Average market value of a newly built rental apartment in 2012: $119,600 (median average asking rent for apartments completed in 2012 from the HUD/Census Bureau Survey of Market Absorption, divided by 11%, the median rent to value ratio from the HUD/Census Bureau Rental Housing Finance Survey).
- Inflation rates applied to market and construction value: 10.6% for 2013, 8.4% for 2014 (based on the National Case-Shiller and NAHB's forecast of it as of 1/30/2014).
- Treatment of non-construction cost factors. Except for raw land, NAHB adds the items that the Census Bureau subtracts from the price of single-family homes to arrive at construction back into the input-output accounts. Landscaping is added to the construction industry input; appliances to household cooking appliance manufacturing; brokers fees to a subset of the real estate sector that NAHB separated from the rest of real estate using data from the Census Bureau's 2007 Economic Census; half of finance & marketing to monetary authorities and depository credit intermediation, the other half to marketing research and other miscellaneous services.

- Other additions for single-family homes built for sale. Based on an analysis undertaken many years ago by HUD in conjunction with the Real Estate Settlement Procedures Act, NAHB adds approximately 0.5% of construction value to monetary authorities and depository credit intermediation; 0.1% to insurance agencies, brokerages, and related activities; and 0.3% to legal services, of insurance agencies, brokerages, and related activities to account for closing costs paid by the buyer (and therefore not directly embodied in the price of the home).
- Brokers fee for rental apartments 0.56% of construction value. NAHB discussions with brokers who sell multifamily properties indicate that the fee for a typical property is about 1.0% of the sale price. This is converted to a fraction of construction value and divided in two under the assumption that half of rental apartments are sold through brokers.

B. Federal Tax Rates

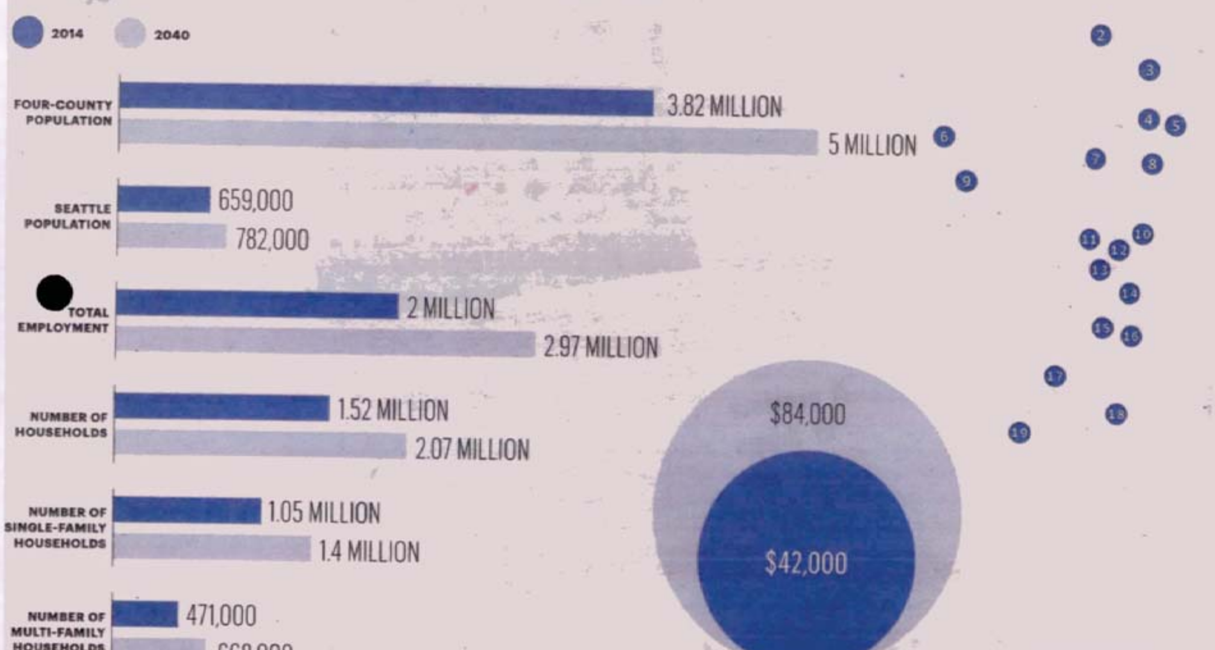
- Income tax rate on dividends: 15.00% (the statutory rate for qualified dividends that applies to most income brackets as of 2013).
- Base income tax rate on proprietors' profit: 26.46% (the effective rate paid by individual taxpayers with businesses income calculated from the IRS 2008 Statistics of Income), reduced by 1.64% to account for the fact that the extra 6.20% the self-employed pay in Social Security taxes is deductible).
- The SOI is also used to calculate a series of effective federal income tax rates based on annual income. These rates are applied to the average wage in each industry in the input-output accounts. The effective income tax rates range from 5.30% for employees of restaurants to restaurant workers to 19.70% for employees of certain financial investment businesses, and average 8.69% when aggregate tax payments are divided by aggregate wages and salaries across all industries.
- Employee contribution to social security is 6.20% of wages and salaries, the current statutory rate that applies up to wage income up to about $110,000. Employee Medicare payment is the statutory rate of 1.45%. Due to a provision in the Affordable Health Care Act, those with incomes above $200,000 now pay an additional 0.9%, but we assume this and the social security cut-off roughly offset, so the total employee contribution for government social insurance is 7.65% of wages. Proprietors contribution is double this rate, or 15.30%, of their profits.

Attachment BB

AROUND THE SOUND

WHERE WE'LL GROW

The Puget Sound region is generally defined as the counties of King, Kitsap, Pierce and Snohomish, which contain 82 cities and towns with an overall population of almost 4 million people. Fast growth is expected to dramtically change the makeup of the region in the next 25 years. Much of that growth is projected in five cities: Seattle, Bellevue, Tacoma, Everett and Bremerton. U.S. Census figures from 2014 show Seattle is already the fastest-growing city in the United States. Here's a look at the region now and what it is projected to look like in 2040.



SOURCE: PUGET SOUND REGIONAL COUNCIL (SOME NUMBERS ROUNDED).

PROJECTED REGIONAL GROWTH CENTERS

1. Everett
2. Lynnwood
3. Bothell:
   - Canyon Park
4. Kirkland:
   - Totem Lake
5. Redmond:
   - Downtown
   - Overlake
6. Silverdale
7. Seattle:
   - Downtown
   - First Hill/Cap. Hill
   - Northgate
   - South Lake Union
   - University District
   - Uptown
8. Bellevue:
   - Downtown
9. Bremerton
10. Renton
11. SeaTac
12. Tukwila
13. Burien
14. Kent
15. Federal Way
16. Auburn
17. Tacoma:
    - Downtown
    - Tacoma Mall
18. Puyallup:
    - Downtown
    - South Hill
19. Lakewood

New census numbers show just how crowded we're getting here

By: Kate Martin and Debbie Cockrell, The News Tribune

Updated: Mar 23, 2018 - 5:30 AM

Last year, enough people arrived in Pierce, King and Snohomish counties to fill Cheney Stadium nearly 10 times over.

From April 2016 through April 2017, the population of the Seattle-Tacoma-Bellevue area grew by more than 64,000 people, according to data released Thursday by the U.S. Census Bureau.

The three-county area was the sixth-fastest growing metro area in the country, topped only by Dallas, Houston, Atlanta, Phoenix and Washington, D.C., areas, the Census Bureau says.

The population numbers account for births and deaths, with the primary driver for growth being people who came here from other places.

The overall population rose to nearly 3.9 million residents for the three counties.

King County accounted for more than half of the increase, with nearly 33,000 more people living there than the previous year. The county saw the sixth-highest growth nationally in the number of people who moved there.

Pierce County's growth was 26th nationally, with a little over 17,000 more people here in 2017 than the prior year. That's more than 46 people moving to Pierce County or being born here each day.

Last year also saw job growth throughout the region.

According to figures from the Puget Sound Regional Council, Seattle experienced 3 percent job growth in 2017. Pierce County was at 2 percent.

Since 2010, the region has added nearly 370,000 jobs.

All of this puts more pressure on transportation systems and is driving up housing costs throughout the region.

Rents in the area remain among the fastest-growing nationwide, according to real estate data website Zillow. Median rent in Seattle is $2,200 a month, a nearly 5 percent increase from the previous year.

The pace of rent increases in Tacoma is stunning compared to national figures, where median rents increased nearly 3 percent to $1,445 per month nationwide.

Tacoma's rents rose by 9 percent in a year, with typical rents hitting $1,600 a month.

If you're looking for affordable housing, there's more bad news: Zillow says a third fewer homes are on the market in Tacoma now than last year, when inventories hit a record low.

Median home values in Tacoma rose 14 percent in a year, to a median of $279,600, according to Zillow. (The company's algorithm values all homes, not just those that sell.)

It's already difficult to find a place to rent in some parts of Tacoma. Now Zillow says renters are staying in place longer for a variety of reasons: Those who want to buy can't find a home, or if they want to move, it's hard to find another apartment or rental home.

"Searching for the 'right' home has become a drawn-out affair, and rising prices require more savings for a down payment," Zillow senior economist Aaron Terrazas said in a news release.

"Were it not for strong new apartment construction over the past half-decade, rental appreciation would be even stronger than it is now."

Still, builders are not keeping pace with people moving here.

Construction firms have said they can't hire skilled laborers fast enough, and the state predicts hundreds more construction jobs will be needed in the coming years to fill the demand.

As such, people have been venturing to areas farther from urban job centers, adding to rapid growth in smaller Western Washington communities.

The new census data noted that Shelton and Centralia were among the largest-gaining metropolitan areas in the United States — defined as urban areas with core populations of at least 10,000 but fewer than 50,000.

The two towns were ranked No. 9 and 10, respectively, on the latest Census Bureau list. Shelton's population grew by 1,587 to 63,710; Centralia grew by 1,570 to 78,200.

The latest data track with trends seen last year of more people looking beyond Seattle to areas such as Mason County.

Kristy Buck, managing broker with John L. Scott's Shelton office, told The News Tribune in September that its waterfront was "drawing people from Seattle, Tacoma and California."

Attachment DD

Washington state added the population of Everett last year

By CAROLYN ADOLPH • JUN 27, 2018

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The summer sun sets on Seattle, center of a growing region and state.
FLICKR PHOTO/HOWARD IGNATIUS (CC BY 2.0)/HTTPS://FLIC.KR/P/NZ4MZ1

Washington state's population grew by 117,000 people this year from last, to 7.4 million people. That's like gaining a city the size of Everett.

Listen
1:24

But the state's Office of Financial Management observes that's down slightly from last year. Growth is still going strong, it says, just not at the frenetic pace we've seen over the last few years.

Thirty percent of the state's growth is happening the old-fashioned way: babies.

The rest is in-migration from other places, and that's largely about jobs. A tech boom led by Amazon in Seattle is a key center of growth in the state. Half the population explosion in the state since 2010 happened within driving range of Seattle's tech jobs, and the jobs that got created by the tech jobs.

That's 350,000 new people in King and Snohomish counties since 2010. But the surge in population extends well beyond the immediate commuter zone, and it's meaningful. Now 55 percent of the population of the state lives in the Puget Sound region.

TAGS: REGION OF BOOM POPULATION

Tweet Share Google+ Email

Attachment EE

https://www.goskagit.com/news/housing-prices-up-significantly-in/article_475e04ff-c03b-5806-a805-3f3a8f19031b.html

FEATURED TOP STORY

Housing prices up significantly in 2017

By JULIA-GRACE SANDERS @JuliaGrace_SVH Feb 17, 2018

A real estate sign along South Sixth Street in Mount Vernon on Friday indicates the status of a sale.

Scott Terrell / Skagit Valley Herald

Buy Now

The median price for homes in Skagit County rose 10.75 percent in 2017, according to a report from Northwest Multiple Listing Service.

“What we’re seeing is similar to what’s happening in King County but not nearly as crazy,” said Nate Scott, a broker at Windermere Real Estate in Anacortes.

With an average of 2.14 months on the market, 1,122 homes sold in the county last year for a median price of $313,000, according to the report.

The double-digit appreciation rates have buyers and sellers wondering if the rapid increase could foreshadow a housing crash similar to the 2000s, said Realtor Jamie Yantis.

“A lot of people are concerned about this being a bubble,” Yantis said. “But if you look at the trend of appreciation historically, yes in 2008, 2009, 2010 we had a dump, but now we are just back on track to where the normal trajectory should have been.”

Dean Hayes, senior loan officer at Bay Equity Home Loans in Burlington, said changes in home mortgage lending will prevent another housing market crash.

“The reason home prices went up back then is we were giving out too many mortgages without vetting,” Hayes said. “That caught up to itself.”

Industry experts agree that the rapid appreciation seen in 2017 can’t last forever.

“The ramp-up the last few years is just to catch up to the projection where we should have been before the housing crash,” Hayes said. “Now we should flatten out and continue at (an appreciation of) around 3.6 percent.”

Today’s competitive market is compounded by a shortage of housing, Scott said.

“There’s been a lot more construction in the last two years than the last five or six,” Scott said. “But nowhere near what’s needed to solve the inventory problem.”

Other elements also have a role in the tight market.

Growing business sectors such as aerospace and biotech are bringing more people to the county, Realtor Megan O’Bryan said, which compounds the problem of limited housing.

Another factor is the Skagit River instream flow rule, which prevents the building of new wells in some rural areas in an effort to protect fish, North Puget Sound Association of Realtors Government Affairs Director Ron Wortham said.

“Because housing is so tight already, it does nothing to help give any relief with additional options,” Wortham said.

The housing shortage has led to an increase in multifamily housing projects in Anacortes, Scott said.

“Unfortunately, they’re all 12 months to two years out,” he said. “There’s light at the end of the tunnel, but it’s a long tunnel.”

Sellers should take advantage of the current market, Yantis said, because appreciation will likely flatten out in coming years.

“The sooner the better so you can take advantage of the buyers that have nothing to look at right now,” she said.

Yantis said buyers should be pre-approved for loans and prepared to make quick decisions.

“Don’t go in looking for a deal because you’re not going to get one right now,” Yantis said.

— *Reporter Julia-Grace Sanders: 360-416-2145, jsanders@skagitpublishing.com, Twitter: @JuliaGrace_SVH*

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https://www.goskagit.com/news/edasc-housing-shortage-hurting-economy/article_1378f695-0a66-5948-8cfe-77db4020c719.html

EDASC: Housing shortage hurting economy

By BRANDON STONE @Brandon_SVH Nov 10, 2017

MOUNT VERNON — Skagit County's lack of housing is hurting the region's economy, John Sternlicht, CEO of the Economic Development Alliance of Skagit County, said at a forum Thursday.

At the forum on affordable housing and the local economy, Sternlicht said he has heard stories from employers who feel they can't grow in Skagit County because their employees have nowhere to live.

He said the stories are "mostly anecdotal, but very consistent."

"Companies won't be able to expand, they won't relocate here and, heaven forbid, they might leave," Sternlicht said.

Skagit County's average rent requires households to earn $40,000 per year to keep from being cost burdened, said Kayla Schott-Bresler, housing resource coordinator with the county. Cost-burdened households are those that spend more than 30 percent of their income on housing.

"But we know most workers aren't making $40,000," she said.

Retail is one of the largest employers in the county, but those jobs tend to be among the lowest paying. If retail employees can't live here, they won't work here, Sternlicht said.

Even fields that pay mid-range salaries, such as health care, are faced with this problem, he said.

"More and more workers are competing for limited housing that they can't afford anyway," Schott-Bresler said.

However, Schott-Bresler presented a silver lining during her talk Thursday. Large construction projects, such as housing complexes, go a long way to bolstering the economy, she said.

Such projects bring well-paying jobs to the community and give business to local builders, all while creating more housing, she said.

"The economic benefits of a construction boom, for builders, architects and engineers, can be pretty significant," Sternlicht said.

In some communities, Schott-Bresler said employers have taken matters into their own hands by offering rental assistance or collaborating to build employee housing.

"It's a very small piece of the puzzle in some communities," she said.

— Reporter Brandon Stone: bstone@skagitpublishing.com, 360-416-2112, Twitter: @Brandon_SVH

Brandon Stone

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SKAGIT COUNTY HOUSING INVENTORY AND TRANSPORTATION ANALYSIS REPORT

December 2017

PREPARED BY:

ECONorthwest

ECONOMICS • FINANCE • PLANNING

FINAL REPORT

Contact Information

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This report was prepared for the Skagit Council of Governments.

ECONorthwest specializes in economics, planning, and finance. Established in 1974, ECONorthwest has over three decades of experience helping clients make sound decisions based on rigorous economic, planning and financial analysis.

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Bob Hicks, Skagit County
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Mayor Steve Sexton, City of Burlington
Brad Johnson, City of Burlington
Mayor Jill Boudreau, City of Mount Vernon
Rebecca Bradley-Lowell, City of Mount Vernon
Mayor Keith Wagoner, City of Sedro-Woolley
John Coleman, City of Sedro-Woolley
Mayor Jason Miller, Town of Concrete
Marianne Manville-Ailes, Town of Concrete
Mayor Joan Cromley, Town of Hamilton
John Doyle, Town of La Conner
Bill Henkel, Community Action of Skagit County
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Dan Hewitt, Hewitt Appraisal Services
Don Gordon, Property Owner
Dustin Johnson, Anacortes Family Center
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The Housing Inventory and Transportation Analysis Final Report and Skagit County Housing Action Plan are not part of a formal governmental planning process or any process to amend current countywide planning policies. The Report and Action Plan were prepared for informational purposes and are non-binding documents that require no formal action on the part of any local government. They present information and suggestions for addressing the housing issues identified by ECONorthwest and Commonworks Consulting.

The intent of the Action Plan is to deliver a comprehensive set of strategies and actions that both public and private entities could work together on for developing or supporting market-rate and subsidized affordable housing in Skagit County. Not all strategies and actions will be applicable for every jurisdiction or organization. Any decision by local government to implement strategies and actions within the Action Plan will need to follow requirements established in relevant agreements and federal, state and local laws.

SCOG Board of Directors and Staff
December 20, 2017

Introduction

Housing is a critical element of a community's social well-being, quality of life, and economic vitality. Expanding housing opportunities and creating more affordability is a growing concern in Skagit County. Jurisdictions and local nonprofit organizations in Skagit County are already taking steps to address housing issues, particularly for low- and moderate-income households. In 2010 the Skagit County Board of County Commissioners established an Affordable Housing Advisory Committee in 2010 to develop and recommend an affordable housing plan for Skagit County. That plan–*Building a Skagit County Affordable Housing Strategy*—was completed in 2012 and updated in 2016.

Housing markets function at a regional scale, which makes it a challenge for individual jurisdictions to adequately address issues related to its housing supply – both market-rate and public supported housing. In addition, local jurisdictions and nonprofit organizations often lack the financial resources to adequately address their housing needs. As a result, further and more coordinated action is needed to fully address the growing challenge of producing low- and moderate-income housing throughout Skagit County.

This study – the Housing Inventory and Transportation Analysis – is intended to build on the efforts of jurisdictions and nonprofit organizations and to provide a more in-depth understanding of the local housing characteristics and affordability issues countywide. The study also presents a housing action plan for addressing low- and moderate-income housing needs identified. The purpose of the action plan is to layout a five- to seven-year road map with specific options for a variety of organizations, including governmental and nonprofit organizations. The action plan is not intended to be prescriptive or replace Skagit County's affordable housing strategy created in 2010 and updated in 2016. It is intended to supplement that housing strategy. Because the action plan is oriented toward addressing a variety of issues and organization, not all actions will be applicable for every organization, and it is important to continue existing housing efforts and maintain existing partnerships.

What can public agencies and nonprofit organizations do to increase production of housing, especially affordable housing, in Skagit County?

Overall, there are three broad questions SCOG wanted the analysis to address:

- What is Skagit County's current housing landscape and inventory?
- What type of housing is needed currently and in the future based on Skagit County's employment and socio-economic profile?
- How does the current housing stock and employment distribution align with the transportation network, specifically transit service?

Ultimately, what can public agencies and nonprofit organizations do to increase production of housing, especially affordable housing, in Skagit County?

Our approach to the study was to gather information about the regional housing market to better understand the county's current and historical housing conditions, discuss these findings with developers and affordable housing stakeholders, and identify actions that public and nonprofit agencies could take to increase production of all housing types.

To address these questions the study had two main components: an analysis of the current housing market and trends, and the development of a housing action plan. The housing market analysis evaluated the supply and demand factors affecting local housing production. Housing supply characteristics included a detailed inventory of all housing units in the county and an assessment of housing affordability. Housing demand characteristics included an analysis of socioeconomic trends and factors contributing to housing prices in Skagit County. The development of the housing action plan first involved outreach through interviews and focus groups with real estate professionals, affordable housing providers, and local elected official and planning staff. The subsequent action plan addresses the specific barriers to market-rate and subsidized affordable housing development identified.

Organizations Involved in Housing Regulation and Production in Skagit County

The key objective of this project is to determine specific actions that public agencies, nonprofit organizations, and affordable housing advocates can take to increase production of housing, especially affordable housing, in Skagit County.

This Plan focuses on strategies and actions about supporting the development of market-rate and subsidized affordable housing in Skagit County. The plan focuses on strategies in two principal areas:

- Land use planning and regulation: These actions are the responsibility of local government.
- The production and preservation of housing, particularly housing the private market cannot afford to create. This involves local nonprofit/public agency entrepreneurs (including housing authorities), their private sector and faith-based supporters/advocates, and public entities that provide financial, planning, and capacity-development assistance.

Private sector developers have an important role in the local housing market and will be affected by several of the actions in the plan. However, the plan focuses mainly on approaches that will be implemented by local nonprofits, public agency entrepreneurs, affordable housing advocates, and local governments.

The following organizations have a role in implementing the Housing Action Plan. This section describes their current housing-related work.

Skagit Council of Governments (SCOG). SCOG staff has participated in the region's evolving discussion on housing and affordability over the past couple of years. SCOG coordinates standing committees composed of member jurisdictions related to transportation and land use issues in Skagit County, including a Growth Management Act Steering Committee and a Growth Management Act Technical Advisory Committee.

Cities and Towns. All incorporated cities and towns within Skagit County have a role in housing development through their regulatory authority and permitting process. Cities (incorporated areas with populations greater than 1,000) and towns (which include incorporated areas with populations less 1,000) can provide funding support for subsidized affordable housing through their general fund or a dedicated funding source such as a special property tax levy.

Skagit County. Skagit County has roles in both the land use regulatory responsibilities (primarily through the Planning and Development Services Department) and support for subsidized affordable housing production (primarily through Skagit County Public Health, which is dealt with in more detail below). The County has land use regulatory authority and planning responsibilities for unincorporated parts of Skagit County, both in rural areas and unincorporated Urban Growth Areas. The County also makes decisions about how county-owned land is used, potentially including housing development.

Skagit County Public Health. Skagit County concentrates its subsidized affordable housing work in the Department of Public Health (Skagit County Public Health). This department's involvement has provided substantial visibility, coherence, and leadership around affordable housing efforts in the county related to planning for and financially supporting affordable housing programs.

Skagit County Consortium for the Tri-County Area Plan. The Consortium consists of 19 municipalities in three counties (Skagit, Island, and Whatcom) that agreed to join the Consortium through signing on to an Interlocal Cooperation Agreement establishing the Consortium. Skagit County Public Health is the lead entity and administrator of the Consortium. The Consortium has a three-year Consolidated Plan (2015-17) that describes housing and community development needs and how federal and other resources are to be used to address them.

Nonprofit Affordable Housing Providers, Housing Authorities, and Tribes. There are a wide variety of organizations that develop or own affordable housing in Skagit County and that also provides services and support for low- to moderate-income households. Specific organizations include local public housing authorities, nonprofit affordable housing developers, nonprofit service providers, and local tribes that provide housing assistance for tribal members in Skagit County.

Housing Market Dynamics in Skagit County

Key findings of the *Housing Inventory and Transportation Analysis* highlight the characteristics of Skagit County's existing housing stock, the growing and changing housing needs, and the broad direction for addressing housing barriers in the county.

- **Most housing in Skagit County is single-family detached and located along the Interstate-5 or Highway 20 corridors.** The existing stock and development patterns reflects historical needs when that development occurred. However, as housing demand has changed, development of housing in Skagit County has not responded to the changes in demand. Production of more expensive single-family detached housing has continued but production has lagged for more affordable housing types such as small-scale single-family detached, duplexes, and multifamily housing.
- **Housing production in Skagit County since 2010 has been slower than any decade in the last 40 years.** Since 2010, about 1,500 new units have been built. Almost all of those recently built units are single-family homes. Much of the higher-end development has been of higher-end single-family detached housing. These trends exacerbate the existing deficit of housing affordable to for moderate- and low-income households.
- **Economic recovery from the Great Recession has been uneven, with most household growth occurring at lower income levels.** Low- and moderate-income households, who have limited housing options, are a growing share of the county's population. Development of housing affordable for these households been slow or nonexistent.
- **The County's existing housing stock does not meet the needs of Skagit County residents, especially given the demographic changes occurring in the county and across the nation.** Changing demographics in Skagit County and across the nation are resulting in demand for more affordable units of all types.
- **There are a growing number of households who cannot afford the lowest market-rate housing available in the County.** Maintaining the existing supply of subsidized affordable housing and building new subsidized housing to meet the growing need is also a financial challenge for affordable housing providers. There is a lack of financial resources to build new subsidized affordable housing to meet the increasing need.

BY THE NUMBERS

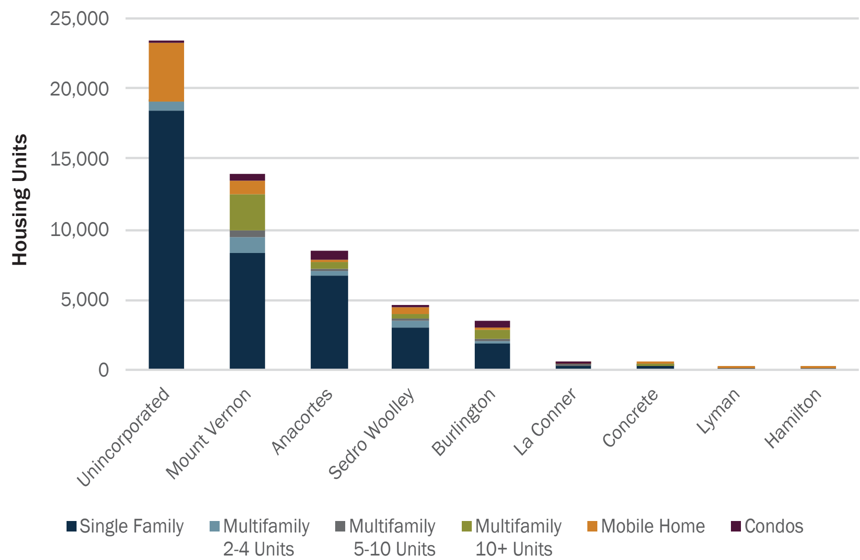
- Approximately 55,000 total units in 2016. Over 70% are single-family homes, 18% are multifamily units, and 11% are mobile homes.
- Six years into the decade, 2010-2020 will likely have the fewest housing units constructed in 40 years.
- Median incomes have decreased by 9% adjusted for inflation from 2010–2014.
- For rent vacancy: 1%
- Average home sales price (2016): $262,000
- Average monthly rent for an apartment (2016): $955

Skagit County's housing stock has limited housing options.

There were almost 55,000 housing units in Skagit County in 2016. The large share of those units (70 percent) are single-family homes. The majority of the units are within an incorporated city or town, but a sizable share (42 percent) of housing units are in unincorporated areas of the county. Multifamily housing represents 18 percent of the total housing stock. Small-scale multifamily buildings with less than 10 units are just seven percent of the county's housing stock.

A sizable majority of the multifamily housing stock is in three cities: Burlington, Mount Vernon, or Sedro-Woolley. Mobile homes are almost 11 percent of total housing stock, which is mostly in unincorporated parts of the county.

Skagit County Housing Units, 2016

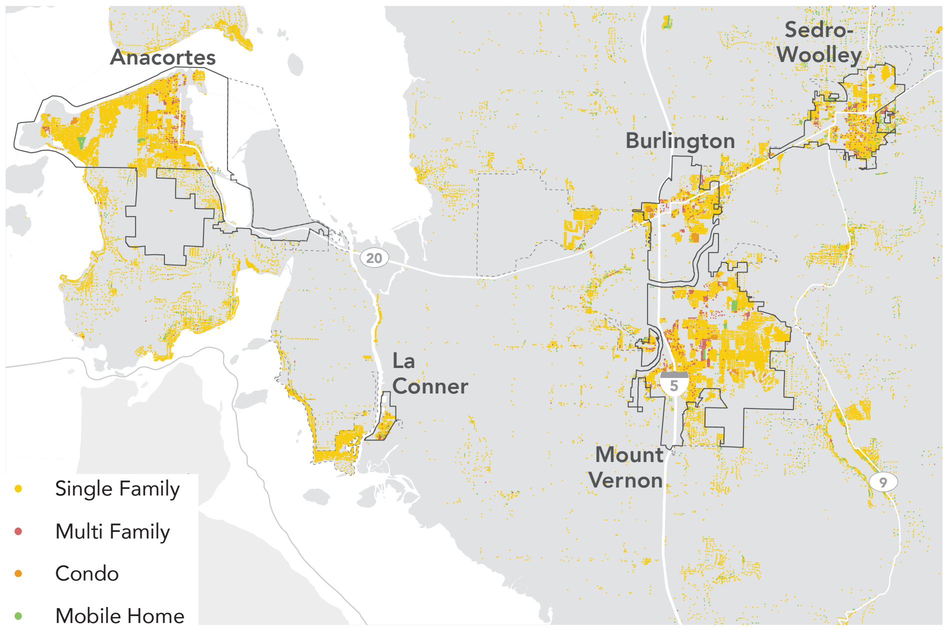


Source: Skagit County Assessor

Housing opportunities depend on where different types of housing are located.

Single-family housing is spread throughout the county in both incorporated and unincorporated rural areas. Multifamily housing is concentrated in incorporated areas of the county, while mobile homes are mostly dispersed throughout unincorporated rural areas. Locations along shorelines also have a concentration of housing.

Skagit County Housing Units, 2016

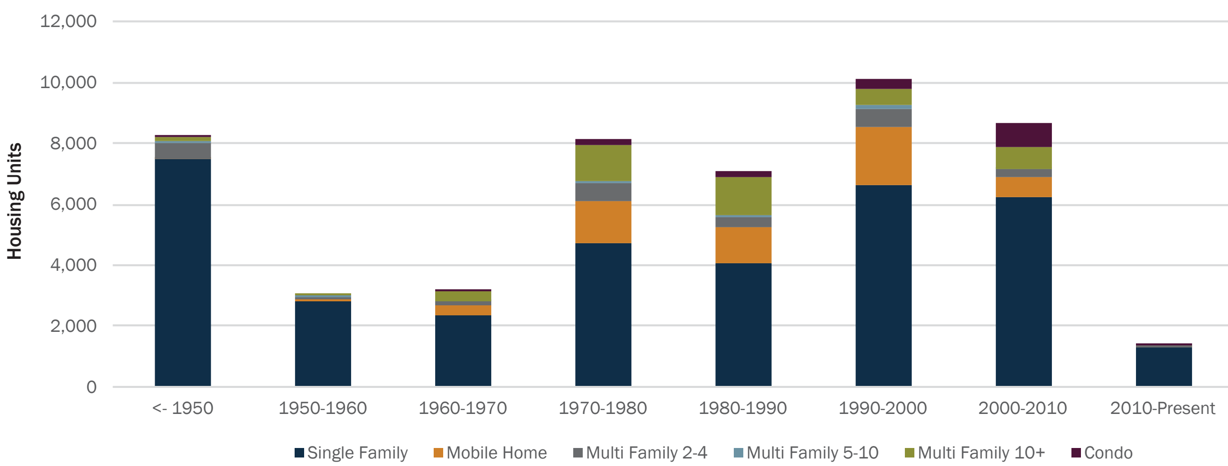


Source: ECONorthwest, Skagit County Assessor

Based on the last six years, the decade spanning 2010-2020 is on track to produce fewer units than any decade in the last 40 years.

Skagit County's housing stock is generally older with few units built since 2010. Over 60 percent of the county's housing stock was built between 1970 and 2010. Since 2010, about 1,500 new units have been built. Almost all of those recently built units are single-family homes. As the local housing market has improved throughout 2017 there has been an up-tick in housing construction in the county. Currently, there are 99 multifamily units under construction in Sedro-Woolley and Mount Vernon has four projects that will create 62 multifamily units that have either received building permits or have submitted building permits and are working through the approval process. Burlington has an additional 83 multifamily units under construction. However, based on the last six years, the decade spanning 2010–2020 is on track to produce fewer units than any decade in the last 40 years. The appendix at the end of this report shows the annual housing production in Skagit County over the last 40 years.

Housing Units by Year Built, 2016



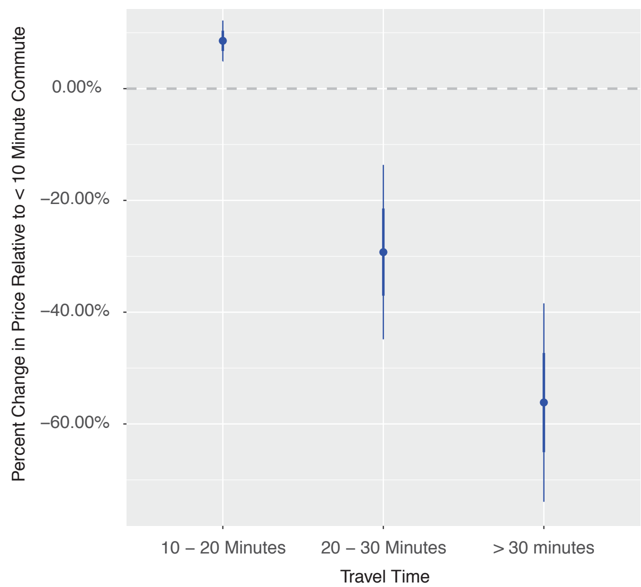
Source: Skagit County Assessor

A large share of the housing stock is near job centers, which has a price premium.

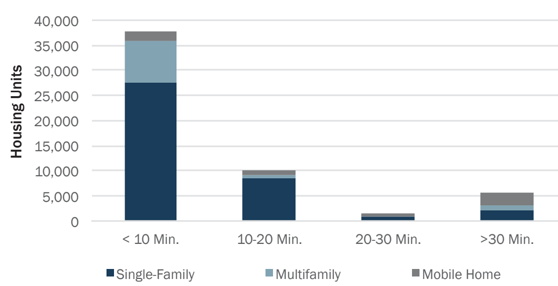
Employment in Skagit County is generally concentrated in "job centers" along the Interstate-5 corridor and Highway 20. Job centers were identified as areas with an employment density greater than 250 jobs per square mile. Almost 70 percent of housing units in the county are less than a 10-minute drive from a job center, including 80 percent of multifamily units.

The study conducted statistical analysis of the different factors that contribute to housing prices. Of particular interest is the impact of being closer to job centers on home prices compared to other locational and structure factors, such as the size or age of a house. The analysis found the proximity to job centers has a positive effect on home prices. Controlling for all other factors, units more than a 20-minute drive from a job center had lower home prices than those less than 20 minutes. Units within a 10- to 20-minute commute to job centers actually had prices 10 percent higher than units with less than 10-minute commute time.

Average Change in Price Based on Travel Time to Nearest Job Center



Housing Units by Travel Time to Nearest Job Center



Above source: Skagit County Assessor;
At left source: Redfin

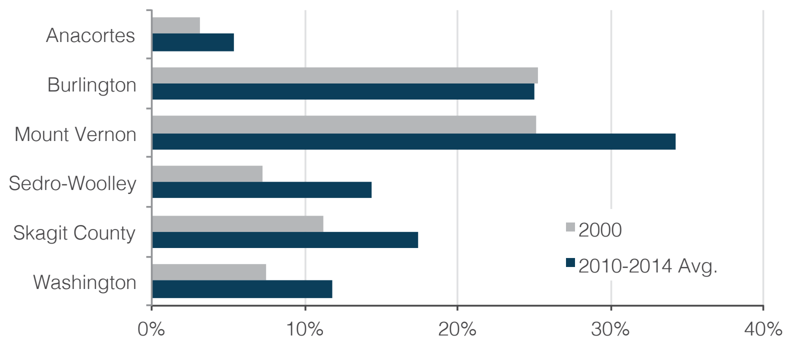
Skagit County's population is growing, aging, and becoming more diverse. Its housing stock does not match this diversity.

Since 2010, Skagit County's population has grown by over 5,300, which is an average annual rate of 0.8 percent. This rate of growth is slower than from 2000 to 2010, which was 1.3 percent. Looking forward, the Washington State Office of Financial Management (OFM) projects net-migration into the county through 2025 to somewhat exceed net-migration totals from 2000 to 2010.

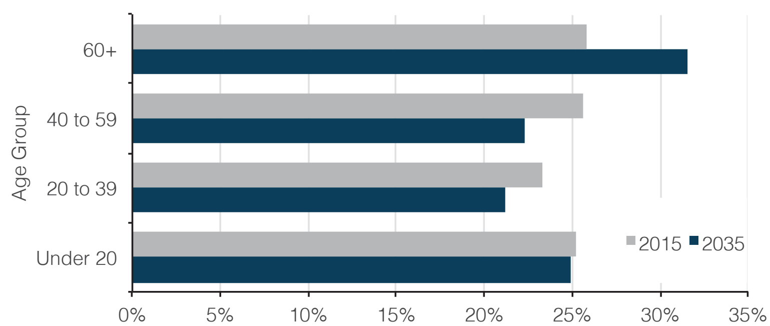
Skagit County's population is also aging. The median age in Skagit County is 40.6, which is up from 37.2 in 2000. The median age in the county is also higher than the State's median age of 37.4. OFM projects the share of the population over 60 is expected to increase to almost one third of the total population by 2035, up from 26 percent in 2015.

Since 2000, the county's population is becoming more diverse. Residents who identify as an ethnicity other than white alone, non-Hispanic has increased from 17 percent in 2000 to 24 percent in 2015. In particular, the Latino population has grown from 11 percent to almost 18 percent over this same period.

Percent of Nonwhite Residents by County



Percent of Skagit County Residents by Age

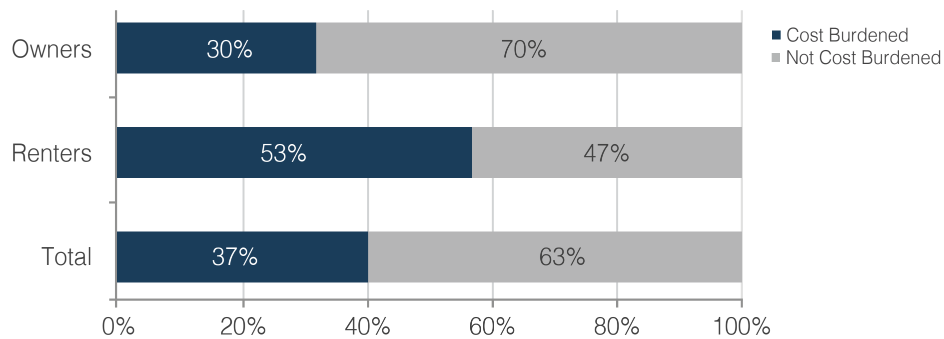


Source for graphs: ECONorthwest, US Census Bureau

Demand for lower-priced housing.

Low- and moderate-income households, who have limited housing options, are a sizable share of the county's population. In 2015, 22 percent of households had incomes below $25,000, and 37 percent of households are cost burdened because they spend more than 30 percent of their income on housing. The majority of renter households in the county are cost burdened. In addition, since 2000, the median household income declined from about $60,000 to $54,000 in 2015 (adjusted for inflation in 2015 dollars).

Cost-Burdened Skagit County Residents 2015



Source: U.S. Census Bureau 2015

Skagit County Median Family Income Ranges, 2014

Percent of Skagit County MFI	< 30%	30% - 50%	50% - 80%	80% - 120%	> 120%
Income Range	< $12,456	$12,456 - $20,760	$20,760 - $33,216	$33,216 - $49,824	> $49,824
Number of households	5,864	4,987	7,993	8,300	18,165
Percent of Households	13%	11%	18%	18%	40%
Owner-occupied	None	Manufactured in parks	Single-family attached; condominiums; duplexes; manufactured on lots	All housing types; lower values	All housing types; higher prices
Renter-occupied	Apartments; new and used government assisted housing	Apartments; manufactured in parks; duplexes	Single-family attached; detatched; manufactured on lots; apartments	All housing types; lower values	All housing types; higher prices

Source: ECONorthwest, U.S. Census Bureau 2014

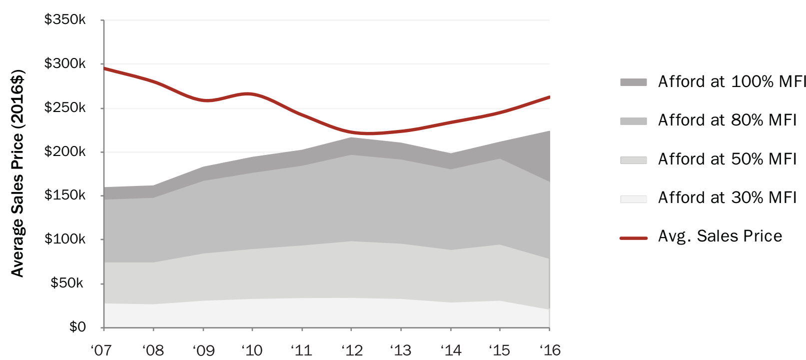
Housing affordability is an issue for both renting and owning a home in Skagit County.

Housing costs in Skagit County, both average rents and average home sales price, were lower in 2016 than they were at the start of the recession in 2007. Adjusted for inflation, average apartment rents been relatively flat over the last ten years at about $950 per month. In addition, inflation adjusted home sales prices were lower in 2016 with an average sales price of $262,000 compared to $295,000 in 2007.

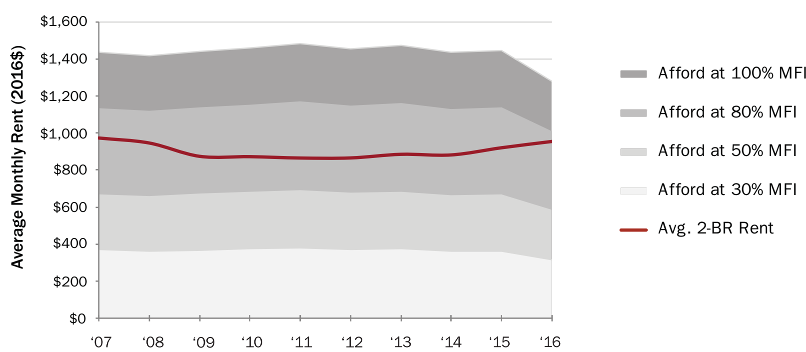
Despite housing costs not increasing, a relatively high share (37 percent) of households in the county paid more than 30 percent of their income on housing in 2015. These households are considered cost-burdened by their housing costs. Renters in particular are affected with 53 percent of households renting considered cost-burdened. Home ownership is also out of reach for many households. A family making the median family income could not afford the average priced home without becoming cost-burdened.

Overall, the share of cost-burdened households has decreased since 2010 going from 41 percent of all households to 37 percent in 2015. The overall decrease was due to the decrease in the owner-occupied cost-burdened households, which is likely due to the decline in home prices. The percent of renter cost-burdened households increased slightly going from 52 percent to 53 percent over the same period.

Single Family Home Prices and Affordability (Adjusted for Inflation)



Two-bedroom Apartment Rent and Affordability (Adjusted for Inflation)



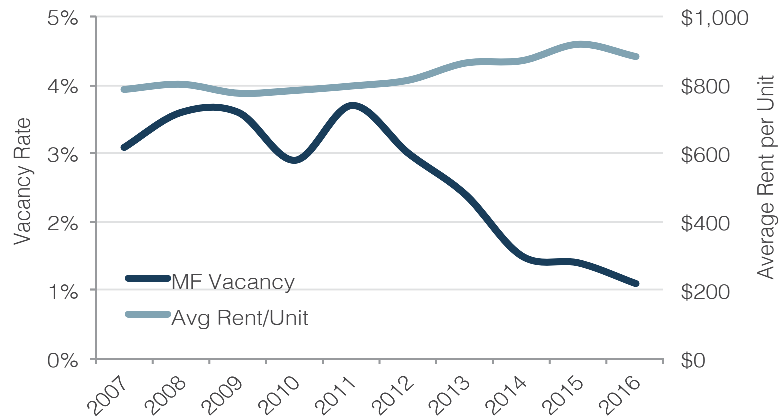
Source for graphs: ECONorthwest, U.S. Census Bureau 2014

Housing supply is tight, with limited opportunities to easily build new housing of all types.

As of 2016 less than 1,500 total units and fewer than 80 multifamily units have been built in the county since 2010. At the same time, the availability of rental and for-sales homes decreased. Apartment vacancies in the county are very low and decreased from about three percent in 2010 to one percent in 2016. Interviews with real estate professionals and brokers also noted a tight market for, for-sale homes and that homes are currently often selling above the asking price. Interviewees also noted the lack of homes affordable to younger, first-time buyers.

One of the reasons the housing supply has been slow to respond to market indicators for new housing, such as low vacancy rates or selling prices being bid-up, is the lack of sizable, vacant sites within the county's incorporated and unincorporated urban growth areas (UGAs). Interviews with real estate professionals and affordable housing providers both cited the lack of sizable, vacant properties for multifamily housing under current zoning. In addition, much of the identified housing capacity (buildable parcels with residential zoning) is in unincorporated UGAs. While mostly undeveloped, these areas lack the appropriate infrastructure and zoning to support the development of these areas with denser residential uses.

Skagit County Apartment Rent and Vacancy, 2016



Source: CoStar, 2016

Another reason for the limited amount of recent housing development is financial feasibility. While home prices have declined and apartment rents have remained flat, construction costs have increased. Construction costs (labor and materials) in Skagit County are a part of the broader Puget Sound marketplace, which has realized sizable increases in construction costs . As a result, it is financially challenging to building new units in Skagit County, especially for units not targeting high-end home buyers.

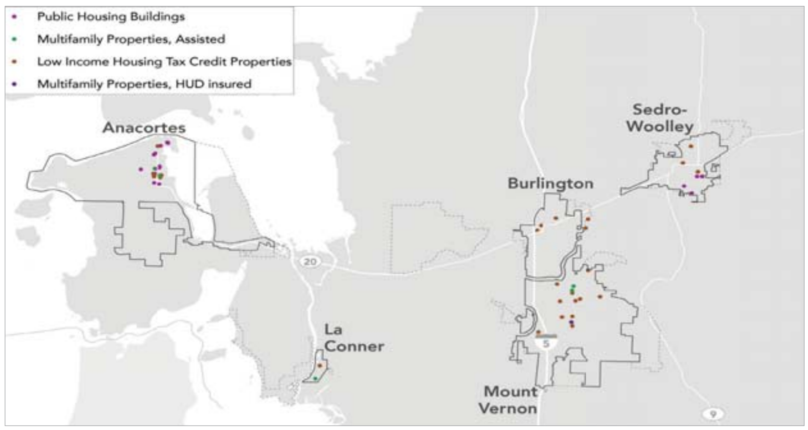
[1]Construction costs in the Seattle market have increase by 4.6 percent in the last years according to Rider Levett Bucknall.

Existing subsidized affordable housing does not meet current demand.

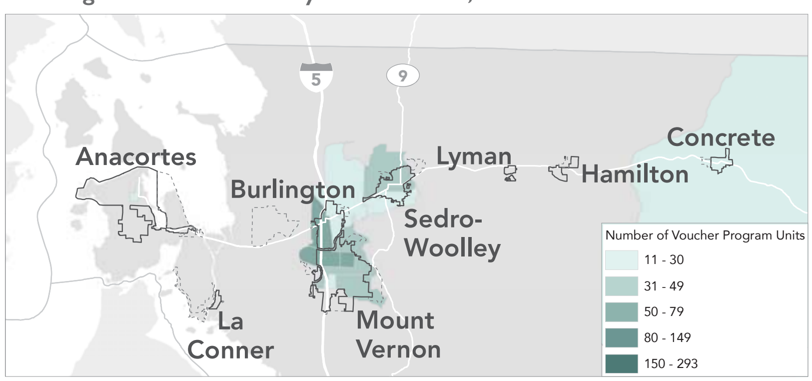
The private market does not currently produce enough housing that is affordable for low- and moderate-income households. Existing affordable housing communities have lengthy waiting lists for new applicants. Households using Section 8 voucher have difficulties using them because they cannot find housing to rent or are losing their housing due to rent increases. **Building new income-restricted units is the most direct strategy for addressing the shortage of affordable housing.** Under the leadership of the Skagit County Public Health, Skagit County has made a promising start in this direction.

Financial resources to subsidize new rental housing and maintain existing subsidized rental housing is limited and often competitively awarded. New housing development requires up-front resources to identify and analyze a site and complete a feasibility analysis. Projects also require gap financing to deliver rents that are affordable in the long-term. As a result, creating substantially more affordable housing will require the for-profit and nonprofit development communities and local governments to bring their commitment, expertise, and resources to build additional affordable housing developments.

Subsidized Affordable Housing Properties, 2016



Housing Choice Vouchers by Census Tract, 2016



Sources for maps: U.S. Department of Housing and Urban Development

Barriers to Market-rate and Affordable Housing Development

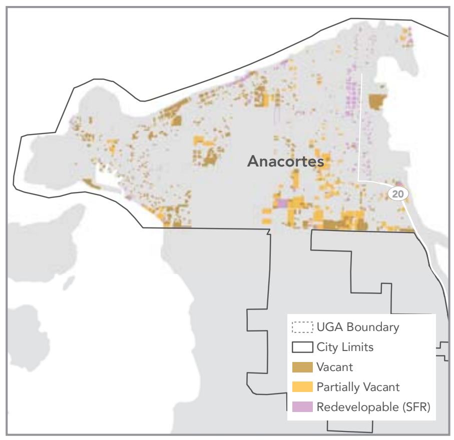
Based on this analysis and discussions with stakeholders, the analysis identified barriers to the development of subsidized affordable and market-rate housing in Skagit County. The barriers fall into three categories: **regulatory**, **financial**, and **infrastructure**.

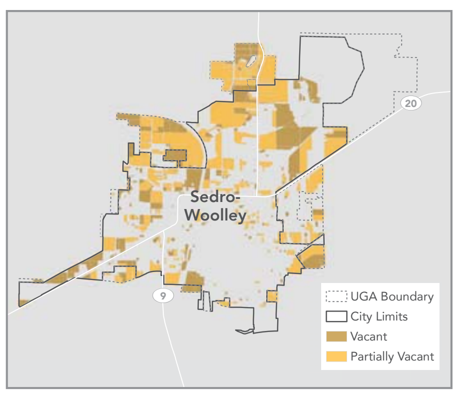
REGULATORY BARRIERS

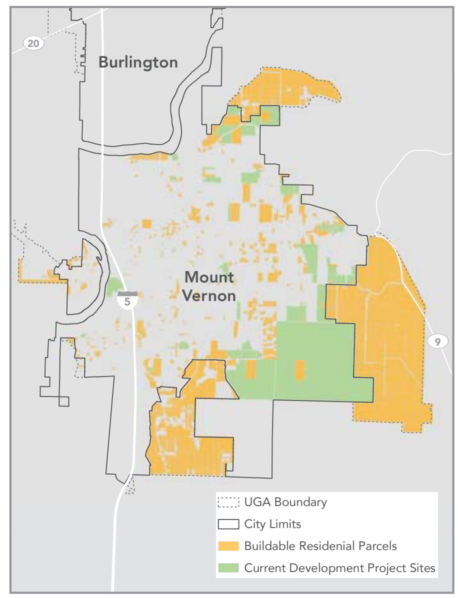
Regulatory barriers include zoning and development requirements that limit the amount and types of housing developed in Skagit County. Specific regulatory issues identified include:

- Most of the existing land capacity (about 80 percent not including the City of Burlington) is zoned for single-family or mobile home development.
- There is a lack of sizable, vacant sites in UGAs with zoning that allows housing, particularly for multifamily housing.
- Sizable, vacant sites have been mostly developed, and the remaining capacity is on more challenging sites that may already have structures, may be encumbered with critical areas, lack necessary urban infrastructure, or are not in the right location.
- Development standards, such as lots size minimums and parking requirements, limit the ability to do infill housing development in many areas, even in zones that allow that type of housing.

Residential Land Capacity in Anacortes, Sedro-Woolley, and Mount Vernon







Sources: City of Anacortes, City of Sedro-Woolley, City of Mount Vernon

Barriers to Market-rate and Affordable Housing Development

FINANCIAL BARRIERS

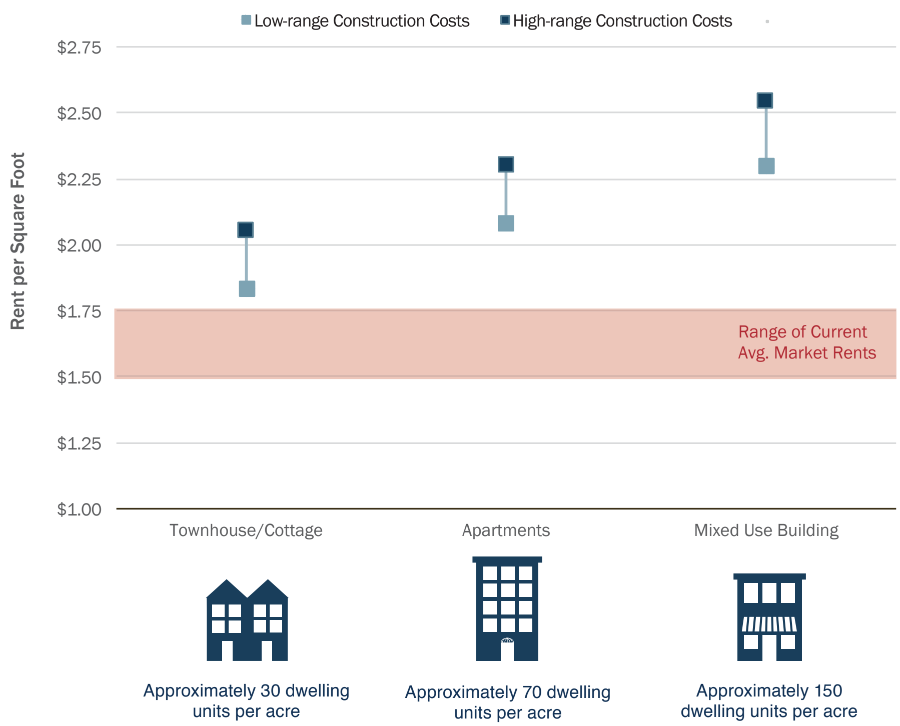
Financial barriers include gaps in funding and financing market-rate and subsidized affordable housing, and overall financial feasibility of projects. Skagit County, cities, and affordable housing providers have made good efforts addressing affordable housing in the county, but these efforts need to be scaled up to meet the growing and variety of low- and moderate-income housing needs. Additional sources of funding for affordable housing will be needed to scale up production. However, financial resources are a constant constraint for all organizations and housing needs in the county are likely to be higher than the resources available to completely address those needs. Specific financial issues identified include:

- It is a challenge to build new housing based on recent rents/prices compared to construction costs, especially for housing not oriented to the high-end of the market.
- Skagit County, cities, and affordable housing providers have made good efforts addressing affordable housing in the county, but these efforts need to be scaled up to meet the growing and variety of low- and moderate-income housing needs. Additional sources of funding for affordable housing will be needed to scale up production.

INFRASTRUCTURE BARRIERS

Infrastructure barriers include the lack of water, sewer, and transportation infrastructure to support housing development. In particular, much of the undeveloped residential land supply is in unincorporated UGAs, which lack these costly infrastructure improvements. Transportation access broadly was not identified as barriers because a large share of the existing housing stock is less than a 20-minute drive from a job center.

Rent Levels Needed for Development Feasibility



Skagit County Housing Action Plan

The Housing Inventory and Transportation Analysis analyzed and developed an inventory of the current housing market in Skagit County and conducted numerous interviews and focus groups with public sector, private sector, and non-profit stakeholders involved in housing development in Skagit County. Based on this analysis and discussions with stakeholders, the analysis identified barriers to the development of subsidized affordable and market-rate housing in Skagit County. To overcome these barriers and address low- and moderate-income housing issues in the county, the Housing Action Plan focuses on five strategies:

- **Strategy 1:** Facilitate Development of Market-rate and Subsidized Affordable Housing
- **Strategy 2:** Build Local Organizational Capacity to Develop Subsidized Affordable Housing
- **Strategy 3:** Address Funding Needs to Support Subsidized Affordable Rental Housing Development and Operation
- **Strategy 4:** Support Housing Rehabilitation and Preservation
- **Strategy 5:** Continue to Support Affordable Homeownership Development

Following each strategy are specific implementation actions. The actions address findings from the analysis and stakeholder outreach, and identify **what** needs to be done, **how** the action can be accomplished, **who** the responsible entities are for implementing the action, and **when** the action should take place and sequenced with other actions.

It is important to note that **not all actions will be applicable for every jurisdiction or organization.** Some jurisdictions may already be pursuing similar actions. For implementation, specific next steps for individual organizations depends on who the lead organization is and the timeline of the specific action item.

As the regional planning organization, SCOG's role may include tracking these efforts and continuing to play a role as a convener. The County, cities, and towns should integrate the applicable action items into their work programs over the next several years and coordinate new actions with their current actions related to housing issues. Nonprofit organizations should prioritize and align their efforts and funds to address the relevant action items as well.

The following sections detail the strategies and actions for the Skagit County Housing Action Plan.

STRATEGY 1: FACILITATE DEVELOPMENT OF MARKET-RATE AND SUBSIDIZED AFFORDABLE HOUSING

The private market does not currently produce enough housing that is affordable for low- and moderate-income households. The development of subsidized affordable housing in urban areas is also a challenge due to the lack of sizeable, vacant sites and lack of financial and organizational capacity.

Actions that help increase housing of all types built in the region—particularly those types that are smaller, cost-effective to build, and built in infill areas—can ensure an existing stock and pipeline of affordable and market-rate options for residents in the future.

Action 1.1: Implement a consistent and comparable countywide buildable lands inventory
Barrier: Different methods and assumptions used in conducting buildable land inventories makes it difficult to compare the housing capacity between cities. As a result, it is also difficult to know the overall capacity for additional single-family and multifamily housing within the county.
What: Establish a buildable land inventory (BLI) for UGAs (both incorporated and unincorporated) in the county based on a common methodology, implementation, and assumptions to understand the potential supply of developable sites that allow single-family and multifamily housing.
How: Start a process for cities and the County to review current approaches to buildable lands analysis and then develop a common methodology and assumptions for how BLIs are conducted for all jurisdictions in the county. The Growth Management Act Technical Advisory Committee could serve as the forum for this process. Individual cities will then have to update their BLI by a certain date.
Who: This process can be coordinated by SCOG and the GMA Technical Advisory Committee as part of the comprehensive plan update process. ▪ Lead: Growth Management Act Steering Committee ▪ Partners: Cities and towns, Skagit County, SCOG
When: 3–5 years: at least one year before the next comprehensive plan update

Action 1.2: Create and coordinate housing element implementation actions
Barrier: Comprehensive Plan Housing Element policies typically do not have any specified implementation action items associated with the policies. There may be value in regional coordination on specific housing action. These defined work programs need not live in the Comprehensive Plan, but could be referenced as an outside operational plan that is updated periodically.
What: Review and identify housing policies and how are being implemented. Develop and coordinate implementation actions to address policies not being implemented among jurisdictions with common issues.
How: In advance of updating jurisdictions' comprehensive plans, coordinate the creation of implementation action and priorities for similar housing strategies among jurisdictions. ▪ As part of updating jurisdictions' Housing Element, each individual jurisdiction should identify possible implementation actions for each policy that can be included in the jurisdictions' annual work program. ▪ Jurisdictions then should meet and identify similar policies, priorities, and common implementation actions, such as supporting the development of accessory dwelling units, and update their plans have coordinated housing policies and actions. ▪ In addition, cities can communicate the importance of housing production and the implementation actions with a consistent message to constituents.
Who: Jurisdictions planning under the GMA ▪ Lead: Skagit County, Anacortes, Burlington, Mount Vernon, and Sedro-Woolley ▪ Partners: SCOG
When: 5–7 years

Action 1.3: Coordinate future planning within UGAs for annexation
Barrier: Much of the sizable and vacant land is in unincorporated UGAs, particularly for a few cities. Often, the lack of an orderly annexation process, infrastructure, and/or appropriate zoning limit the ability of these areas to develop at urban densities.
What: The development of infrastructure to support development is a costly and time-consuming process. Coordinating planning, infrastructure development, and zoning changes can speed up the annexation of these areas, which will facilitate the develop at urban densities and form, which is required under the Growth Management Act. Ultimately, cities should ensure an adequate and orderly process exists that will allow areas to annex into the city.
How: Individual cities can create plans for infrastructure improvements and zoning changes and develop strategies for the annexation of UGAs or parts of UGAs into city limits.
Who: Affected cities and Skagit County ■ Lead: Cities ■ Partners: Skagit County
When: 1–3 years

Action 1.4: Evaluate development regulations to allow more housing types in more areas
Barrier: There are a limited number of sizable, vacant sites – particularly for multifamily or affordable housing – within incorporated areas of the county.
What: Identify sites and areas that could accommodate more housing development where current zoning or development regulations, such as lot size requirements, limit the development potential of those sites. Consider changes to these regulations to allow housing of different types and scales. Also, consider implementing by-right zoning, which streamlines the approval for developments that meet existing development requirements.
How: Engage in a planning process to update zoning regulations. ■ Start a public conversation around the need for and location of multifamily housing. ■ Begin by focusing on specific subareas that currently do not allow multifamily housing that are near employment concentrations and transit service or other desirable locations. Explore mixed use zones that include multifamily housing. ■ Initiate comprehensive plan amendment process and update development zoning regulations.
Who: Cities ■ Lead: Anacortes, Burlington, Mount Vernon, and Sedro-Woolley ■ Partners: None
When: 1–5 years

Action 1.5: Develop coordinated policies for infill development among all cities

Barrier: Many of the development opportunities within city limits are on lots that already have structures on them. As a result, most cities in Skagit County are looking for opportunities to realize more infill housing development.

What: Cities can collectively explore potential "missing middle" housing options (i.e. small-lot homes, duplexes through 4-plexes, accessory dwelling units, townhouses, and more dense garden apartments) and form zoning regulations to support the development of these housing types.

How: Engage in a planning process to update zoning regulations, potentially as part of the same public conversation and process evaluating zoning.

- Start a public conversation about housing needs and the role of "missing middle" and multifamily housing in affordability and housing needs.
- View and possibly tour existing missing middle housing options.
- Create and share implementation action and regulation for infill housing development among cities.
- Initiate comprehensive plan amendment process and update zoning regulations.
- Coordinate on the use of the multifamily property tax exemption to support the building of market-rate and affordable housing. They will need to consider the targeting to areas, specific product types, and whether to use the 8- or 12-year program.

Who: All cities

- Lead: Anacortes, Burlington, Mount Vernon, and Sedro-Woolley
- Partners: All cities

When: 1–3 years

Action 1.6: Identify, assemble, and prepare sites for subsidized affordable housing

Barrier: There is a lack of sizable, vacant, and low-cost sites for subsidized affordable housing.

What: Identify sites under public ownership that provide an opportunity for inclusion of subsidized housing as part of the project concept. Analyze redevelopment opportunities and their scale and prioritize the best opportunities.

How: Start with one site, one project.

- Solicit "Phase 1" proposals that include identification of project concept and partners.
- Incentivize the development of affordable housing, possibly by making pre-development funds (source to be determined) and free/reduced-cost sites available to projects that incorporate both.
- If site is not already under public ownership, consider applying for balance of State CDBG funds (except for sites in Anacortes and Mount Vernon, which are Entitlement Communities) for site acquisition.

Who: Cities, nonprofit affordable housing developers, and housing authorities

- Lead: Cities and Skagit County
- Partners: Nonprofit affordable housing providers and housing authorities

When: 1–3 years

Action 1.7: Enhance development potential of current sites owned by nonprofits and faith-based entities
Barrier: Some existing sites owned by nonprofits or faith-based entities could physically accommodate housing or more housing than currently onsite.
What: Expand housing opportunities for lower income households on sites already owned by nonprofits or faith-based entities. Engage in proactive, team-based problem-solving to identify constraints and how to address them
How: Collaborate to identify opportunities and select an initial site in which to pursue the development of additional housing. ■ Inventory sites currently owned by nonprofits and faith-based entities. ■ Build community support and develop an outreach plan for potential sites. ■ Select one or more sites to serve as prototypes for this effort. Identify those that are potential sites for affordable housing development (i.e. willing owner, site could physically accommodate more housing, is properly zoned, etc.), and prioritize development opportunities. One potential early candidate is Skagit Council Housing site in Mount Vernon. ■ For the prototypes, identify the barriers preventing development, especially ones involving development regulations. Engage in proactive, team-based problem-solving that includes jurisdictions, site owners, and affordable housing developers to create solutions. Update zoning regulations if necessary. ■ Start the development process to design and build on the site. ■ Repeat for additional high priority sites with willing owners.
Who: Affordable housing providers (nonprofits and housing authorities) and faith-based entities. ■ Lead: Individual affordable housing provides that own property. ■ Partners: Appropriate jurisdictions, which may need to amend the comprehensive plan and/or zoning.
When: 1–3 years

Action 1.8: Incentivize the development of multifamily housing
Barrier: Multifamily housing development may not be financially feasible given current values and high construction costs. Also, existing development codes are often not currently set up for incentives to be utilized effectively.
What: Create a menu of incentives that address identified barriers that jurisdictions can offer to encourage multifamily housing and/or projects that include affordable units. Cities may also need to review incentives they currently offer and determine if they are effective or if they need to be modified.
How: Determine specific market issues for development of multifamily housing in appropriately zoned areas. ■ Consider incentives that would specifically address these barriers. One option is the 12-year multifamily tax exemption program (MFTE) within incorporated areas with a population above 15,000, which includes Anacortes and Mount Vernon. Other options include reductions for parking requirements, infrastructure requirements, permit or impact fee waivers, or density bonuses. ■ Work with elected officials to create a menu of options and the implementation of those options. ■ Calibrate incentives (new or existing) to local market conditions and barriers. Correctly calibrating incentives is a key component of making an incentive program effective. ■ Adopt ordinances and/or zoning changes to allow for the use of the appropriate incentive.
Who: Cities ■ Lead: Anacortes, Burlington, Mount Vernon, and Sedro-Woolley ■ Partners: SCOG
When: Present and ongoing as needed

STRATEGY 2: BUILD LOCAL ORGANIZATIONAL CAPACITY TO DEVELOP SUBSIDIZED AFFORDABLE HOUSING

Housing development is contingent on a variety of public and private partners. Creating affordable housing requires the for-profit and nonprofit development communities, as well as government funders, to bring their commitment, expertise and resources for project construction. Under the leadership of Skagit County Public Health, Skagit County has made a promising start in this direction. The continued leadership of Public Health is needed, along with energized nonprofit/private sector leadership in areas where public sector employees cannot lead, such as in a campaign for a housing levy. This section builds on existing momentum and identifies opportunities to further enhance the region's capacity to develop subsidized housing.

Action 2.1: Formalize structures for coordination and leadership for governmental and nonprofit affordable housing providers
Barrier: Nonprofit affordable housing providers highly value Skagit County Public Health's leadership and facilitation on affordable housing issues, which should continue. However, there is a need for a parallel structure to take on issues that cannot be led by County staff, such as advocating for changes in policy or campaigning for a new property tax levy, local option sales tax, or emergency housing levy.
What: Formalize a network of affordable housing providers and advocates who are independent of (but have a relationship with) Skagit County Public Health for the purpose of taking on initiatives that cannot be done with local government involvement. Meanwhile, continue to support and better resource planning, facilitation, and coordination by Skagit County Public Health.
How: As needed, re-evaluate committee structure and make changes. The stakeholder committee structure should evolve as new private, public, nonprofit, and faith-based partners step forward. The independent network of affordable housing providers and advocates should identify key initiatives (referendums, etc.) and develop an action plan.
Who: Skagit County, affordable housing providers, and faith-based organizations and businesses ▪ Lead: New independent organization or partnership ▪ Partners: Nonprofits, housing authorities, faith-based organizations, businesses, Skagit County Public Health, SCOG
When: 1–3 years

Action 2.2: Increase local capacity to undertake subsidized affordable multifamily housing development
Barrier: Staff capacity at affordable housing providers limits their ability to undertake more housing development projects.
What: Identify sources of funds that can be used to support housing development capacity-building within Skagit County nonprofits. In year 1, identify technical assistance providers, such as a development consultant or a regional/statewide nonprofit housing developer that is interested in training and partnering with a Skagit County nonprofit. Invite qualified Skagit County nonprofits to submit applications and select one or more organizations for capacity-building assistance. Funds should be used to pay for both the provision of training and for staff time for the Skagit County nonprofit to participate. In years 2–3, either continue to provide technical assistance or shift to providing operating support to the organizations that are undertaking housing development or pre-development activities.
How: Two options for funding: ▪ Option 1: Create a pool of local funds by requesting modest three-year funding commitments from Skagit County and each of the Skagit County cities participating in the HOME Consortium. To create the pool, consider an initial set of three $60,000 investments over three years—total pool of $180,000. Funds would be used for both local capacity development as described above and project pre-development loans as described in Section 3.2 below. ▪ Option 2: Evaluate the possibility of a local referendum for an affordable housing levy and the capacity needed to conduct a successful informational campaign. Convene a group of affordable housing advocates in the nonprofit, private, civic and faith-based sectors to explore the possibility of a referendum to a housing levy. Undertake polling on the feasibility of a local levy and the amount of funds that could be raised. If the result is positive, advocate for voter approval of a housing levy. Levy proceeds could be used for technical assistance, operating support, pre-development loans, gap financing and other needs associated with affordable housing development.
Who: Skagit County Public Health, cities and local and regional housing providers and advocates ▪ Lead: Option 1: Skagit County. Option 2: New independent organization or partnership described in Action 2.1 above. ▪ Partners: Option 1: Cities. Option 2: Affordable housing advocates in the nonprofit, private, civic and faith-based sectors
When: 3–5 years

Action 2.3: Explore innovative development models and developers who create low to moderate income housing without highly competitive federal subsidies.
Barrier: One of the key federal subsidies supporting affordable housing development is the nine percent Low Income Housing Tax Credit (LIHTC) Program, a highly competitive resource. For places like Skagit County, Washington State has chosen to prioritize awarding nine percent LIHTC resources to projects where 50 percent of the units provide housing for formerly homeless individuals/households. These projects require an ongoing local source of operating support to help subsidize rents and funds for resident services to help households remain housed. Developing these projects also requires sources of gap financing. The County should continue working on aligning resources to support competitive nine percent LIHTC projects by a nonprofit. However, the County may have to explore other avenues. Some developers are experimenting with models for developing affordable rent-restricted projects with locally-provided subsidies and support instead of federal support. Currently, Skagit County does not have such a developer, but there are some in other areas of the Pacific Northwest.
What: Identify and vet affordable housing developers, such as Home First Development in Portland, Oregon, that have a successful track record of developing attractive, durable affordable housing without federal subsidies that can add cost to the project. Focus on developers that can build smaller-scale housing projects appropriate to places like Skagit County. Such developers may require local assistance to fill gaps or reduce development costs to make the projects work long-term. To keep the project local, explore the option of supporting the development of projects that are subsequently owned and managed by a local nonprofit or housing authority.
How: Meet with developers and explore potential sites, subsidies, development opportunities, and partnerships with local nonprofits.
Who: Skagit County Public Health and local nonprofit housing developers ■ Lead: Skagit County Health Department ■ Partners: Nonprofit housing developers and housing authorities
When: 1–3 years

STRATEGY 3: ADDRESS FUNDING NEEDS TO SUPPORT SUBSIDIZED AFFORDABLE RENTAL HOUSING DEVELOPMENT AND OPERATION

The county has a shortage of affordable housing, creating challenges for households with lower incomes. Existing affordable housing communities have lengthy waiting lists for new applicants. Building new income-restricted units is the most direct strategy to address the shortage of affordable housing. Targeted assistance for affordable housing development can increase the number of projects that are constructed in a given amount of time.

Action 3.1: Provide pre-development assistance for subsidized affordable rental housing
Barrier: Initiate planning for a new housing development requires up-front resources to identify and analyze a site and complete a feasibility analysis. This includes reviewing relevant development regulations, developing a preliminary design, investigating environmental concerns, analyzing the market, creating a development budget and identifying potential financing. If the project is developed, these costs can be folded into the permanent financing for the project. However, if the project cannot proceed, the investment in the predevelopment work is lost. Currently, Skagit County lacks this type of high-risk capital to lend to affordable housing providers to jump-start development.
What: Identify sources of funds to create a revolving loan fund (soft commitments for repayment, depending on project feasibility) that can be used for qualified predevelopment costs associated with specific affordable, rent-restricted projects. Models for this initiative include the Community Housing Fund serving Washington County, Oregon. Funds would be loaned to nonprofits/housing authorities at very low interest rates for a specific term (not to exceed five years) and, if the project is feasible, repaid upon permanent financing. If the project is not feasible, the loan would be forgiven. Potential projects include the proposed Anacortes project, a new project on publicly owned land, a Housing Authority of Skagit County project, or a Skagit Council housing project to build more housing on their existing site.
How: The two funding options are the same as those described for Action 2.2: ▪ Option 1: Create a pool of local funds by requesting modest three-year funding commitments from Skagit County and each of the Skagit County cities participating in the HOME Consortium. To create the pool, consider an initial set of three $60,000 investments over three years—total pool of $180,000. Funds would be used for both project pre-development loans as described above and local capacity development as described in Section 2.2. ▪ Option 2: Evaluate the possibility of a local referendum for an affordable housing levy and the capacity needed to conduct a successful informational campaign. Convene a group of affordable housing advocates in the nonprofit, private, civic and faith-based sectors to explore the possibility of a referendum to a housing levy. Undertaking polling on the feasibility of a local levy and the amount of funds that could be raised. If the result is positive, advocate for voter approval of a housing levy. Levy proceeds could be used for technical assistance, operating support, pre-development loans, gap financing, and other needs associated with affordable housing development.
Who: Skagit County Public Health, cities and local and regional housing providers and advocates ▪ Lead: Option 1: Skagit County. Option 2: New independent organization or partnership described in Action 2.1 above. ▪ Partners: Option 1: Cities. Option 2: Affordable housing advocates in the nonprofit, private, civic and faith-based sectors.
When: 1–3 years

Action 3.2: Provide gap financing for subsidized affordable rental housing
Barrier: Subsidized affordable housing projects require gap financing to deliver rents that are affordable in the long-term, because the income derived from affordable rents can only support a limited debt payment on a conventional loan. Thus, other permanent financing sources in the form of grants or deferred/modified payment loans are required to fill the "gap" between development costs and other investments in the project (e.g., bank loan, owner's equity, donated land, deferred developer's fee, etc.). Proceeds from a future housing levy could be used for this purpose. However, identifying multiple sources both increases the pool of funds if a levy is approved and provides an alternative (although a much smaller one) if it is not approved. If a levy is pursued, the leadership must come from outside local government, as public employees are prohibited from being involved in campaigns.
What: Identify potential local sources, including an initiative to support a housing levy for Skagit County, to support gap financing for affordable rental housing projects.
How: Two funding options: ▪ Option 1: Evaluate the possibility of a local referendum for an affordable housing levy and the needed capacity to conduct a successful informational campaign. Convene a group of affordable housing advocates in the nonprofit, private, civic and faith-based sectors to explore the possibility of a referendum to a housing levy. A housing levy is the most likely source for gap financing because of the amount of funds that it can raise. ▪ Option 2: Consider pooling resources from jurisdictions to create a pool to support gap financing on a project-by-project basis, as needed.
Who: Skagit County Public Health, cities and local and regional housing providers and advocates ▪ Lead: Option 1: New independent organization or partnership described in Action 2.1 above. Option 2: Skagit County. ▪ Partners: Option 1: Affordable housing advocates in the nonprofit, private, civic and faith-based sectors. Option 2: Cities.
When: 1–3 years

Action 3.3: Identify sources of operating support for subsidized affordable rental housing
Barrier: Housing to serve extremely low-income households (those with incomes at or below 30 percent of AMI) requires ongoing operating subsidies, which are more difficult to obtain than construction subsidies and financing. To be competitive for state nine percent LIHTC funding, 50 percent of the units in a proposed project must be for formerly homeless households (typically extremely low-income).
What: Identify ongoing sources of funding to support operating housing developments with units for extremely low-income households.
How: Explore the possibility of project-basing some housing vouchers. This initiative is especially relevant now, when a growing share of households newly receiving vouchers are unable to utilize them because they cannot find housing to rent or are losing their housing due to rent increases. Some Skagit County voucher holders are "porting out"—moving to a lower-cost area and taking their voucher with them, which results in the effective loss of the voucher to Skagit County. ▪ Identify and address any added costs of administration relating to project-basing vouchers. ▪ Consider impacts on existing wait list of project-basing some vouchers.
Who: Governmental and nonprofit affordable housing providers ▪ Lead: Skagit County Public Health and Housing Authority of Skagit County ▪ Partners: Nonprofit affordable housing providers
When: 1–3 years

Action 3.4: Identify sources of funding for services for households who require permanent supportive housing
Barrier: Some households require case management and other support services to stay housed. Identifying long-term funding sources for services can be challenging.
What: Examine the opportunities presented by the Medicaid Transformation Project of the Washington State Health Care Authority.
How: Look at opportunities for support through Initiative 3 of the Authority's Medicaid Transformation Project and the Foundational Community Supports Program. While it does not provide funding for room and board, this program does provide services that help individuals get and keep community housing, including wrap-around supports that assess housing needs, identify appropriate resources, and develop the independent living skills necessary to remain in stable housing.
Who: Skagit County Public Health, Skagit County Community Action, Pioneer Human Services, Compass Health, Catholic Community Services ▪ Lead: Skagit County Community Action, Pioneer Human Services, Compass Health, Catholic Community Services ▪ Partners: Skagit County Public Health
When: 1–4 years

STRATEGY 4: SUPPORT HOUSING REHABILITATION AND PRESERVATION

The existing stock of housing affordable to low- and moderate-income households is an important asset. Maintaining this stock of affordable housing is a foundational strategy to ensure these units are not lost, thus decreasing the stock of affordable housing. Finding funds for housing rehabilitation is a challenge, particularly for housing that is affordable and does not have high rental income. Financial support for subsidized and unsubsidized housing maintenance can help keep these units in the housing stock and in good condition.

Action 4.1: Rehabilitate existing subsidized housing
Barrier: Maintenance of existing subsidized housing is costly and competes with funds for other affordable housing uses.
What: Identify rehabilitation needs of existing projects owned by housing authorities or nonprofits.
How: Apply for state CDBG Balance of State funds for rehabilitation and/or contact Mount Vernon and Anacortes about these needs. Identify source of funds to administer CDBG grant, if it is received.
Who: Governmental and nonprofit affordable housing providers ▪ Lead: Skagit County Public Health could convene the discussion on this topic. The Housing Authority of Skagit County has one property in Burlington that may be a candidate for rehab; other nonprofits or housing authorities may have properties as well. ▪ Partners: housing authorities and nonprofit housing developers
When: 1–3 years: coordinate with Action 4.2 to ensure that competing applications are not submitted.

Action 4.2: Rehabilitate existing, unsubsidized affordable housing
Barrier: Much of the existing housing affordable to low- and moderate-income households is in privately-owned, unsubsidized multi-unit buildings, single family homes, or manufactured housing. Some of these units may be in poor condition and in danger of falling into further disrepair and eventually being demolished or redeveloped.
What: Identify programs that can be used to maintain existing housing structures that are unsubsidized but affordable to low- or middle-income households.
How: Bring together existing agencies involved in weatherization and rehabilitation to discuss: ▪ Possible future applications to state for CDBG funds for expanded countywide rehabilitation program and funding to support the administration of the program. ▪ Possibility of creating a special program for critical repairs to manufactured housing, which represents a significant portion of the unsubsidized affordable housing stock in the county. ▪ Aligning existing weatherization programs with potential new housing rehabilitation funds to support preservation of existing lower-cost housing. Some homes are at risk of further deterioration and becoming uninhabitable due to a need for a new roof or foundation that cannot be addressed by existing weatherization funds alone.
Who: Skagit County Public Health, Housing Authority of Skagit County, Community Action of Skagit County, Skagit Habitat for Humanity. ▪ Lead: Skagit County Health Department ▪ Partners: Housing Authority of Skagit County, Community Action of Skagit County, Skagit Habitat for Humanity
When: 1–3 years: coordinate with Action 4.1 above to ensure that competing applications are not submitted.

Action 4.3: Preserve subsidized housing with expiring affordability restrictions
Barrier: Some of the county's subsidized housing is at risk of losing its income restrictions. If a project were to lose its restrictions, rents could be raised, tenants could be displaced, and the county's inventory of subsidized affordable housing stock would shrink. Skagit County Public Health has developed a list of these properties. There are nine properties at risk of losing their subsidies through 2024. These units are typically privately owned by the developers that built the housing with the assistance of HUD or state bond financing in prior decades.
What: Preserve expiring use subsidized housing projects.
How: Recruit developers to preserve them.
Who: Skagit County Public Health ▪ Lead: Skagit County Public Health ▪ Partners: Current and future owners of subsidized housing projects
When: 1–7 years

STRATEGY 5: CONTINUE TO SUPPORT AFFORDABLE HOMEOWNERSHIP DEVELOPMENT

Two organizations currently provide affordable homeownership options for households in Skagit County that would not otherwise be able to afford to own a home: Skagit Habitat for Humanity and Home Trust of Skagit. Currently, HOME, local economic development, and CDBG funds are used to support affordable homeownership.

Action 5.1: Continue to provide financial assistance and support for affordable homeownership development.
Barrier: Providing affordable homeownership opportunities, including multifamily ownership options, requires community, public and private sector support. Public sector support can consist of both actions by public officials to raise the visibility of "success stories" and public subsidies, such as free or reduced-cost land, reduction of impact fees, down payment assistance and funds for providing homebuyer education. The need for both continues.
What: Continue to provide public support for homeownership development.
How: Continue to support initiatives led by nonprofits to raise the visibility of their work and rally community, faith-based, and private sector financial and volunteer support for affordable homeownership. Continue to provide financial support through public subsidies, including HOME, balance of state CDBG applications, and local Impact and Utility Connection Fee Funding.
Who: Skagit Habitat for Humanity, Home Trust of Skagit, local elected officials, Skagit County Public Health
When: Ongoing

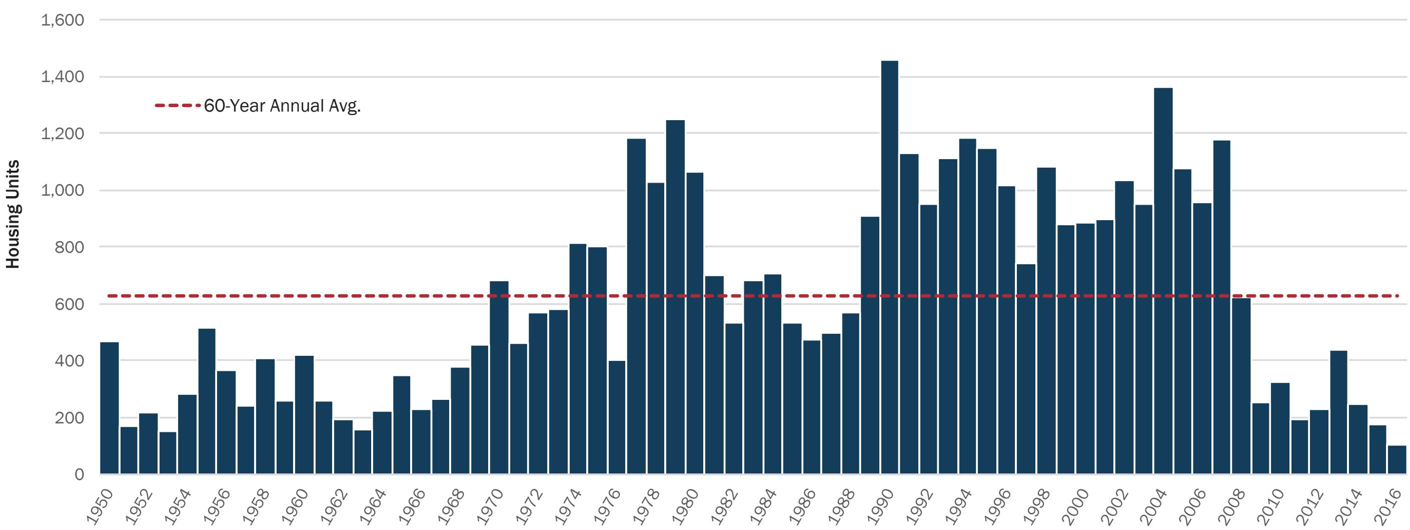
Action Plan Summary	Regulatory Issue	Financial Issue	Infrastructure Issue
Strategy 1: Facilitate Development of Market-rate and Subsidized Affordable Housing			
1.1 Develop a consistent and comparable countywide buildable lands inventory	X		
1.2 Create and coordinate housing element implementation actions	X		
1.3 Coordinate future planning within UGAs for annexation	X		X
1.4 Evaluate zoning to allow more housing types in more areas within UGAs	X		
1.5 Develop coordinated policies for infill development among all cities	X		
1.6 Identify, assemble, and prepare sites for subsidized affordable housing		X	
1.7 Enhance development potential of current sites owned by nonprofits and faith-based entities	X		
1.8 Incentivize the development of multifamily housing	X		
Strategy 2: Build Local Organizational Capacity to Develop Subsidized Affordable Housing			
2.1 Formalize structures for coordination and leadership for governmental and nonprofit affordable housing providers		X	
2.2 Increase local capacity to undertake subsidized affordable multifamily housing development		X	
2.3 Explore innovative development models and developers who create low to moderate income housing without highly competitive federal subsidies		X	
Strategy 3: Address Funding Needs to Support Subsidized Affordable Rental Housing Development and Operation			
3.1 Provide predevelopment assistance for subsidized affordable rental housing		X	
3.2 Provide gap financing for subsidized affordable rental housing		X	
3.3 Identify sources of operating support for subsidized affordable rental housing		X	
3.4 Identify sources of funding for services for households who would otherwise qualify for skilled nursing care		X	
Strategy 4: Support Housing Rehabilitation			
4.1 Rehabilitation of existing subsidized housing		X	
4.2 Preservation of existing, unsubsidized affordable housing		X	
Strategy 5: Continue to support affordable homeownership development			
5.1 Continue providing financial assistance and support for affordable homeownership development		X	

APPENDIX

This appendix provides additional, more detailed information on housing topics in Skagit County. The appendix includes three exhibits.

A-1: Annual housing production since 1950. This chart provides a more detailed look at how housing production have varied year-to-year and highlights the sizable drop in housing built since 2008.

Skagit County Housing Units by Year Built



A-2: Current affordable housing funding sources used in Skagit County and where those funds are applied.

	Annual Revenue for Housing	Controlling Party	Primary Purpose	Alternative Strategies	Notes
Document Recording Fee (affordable housing)	$147,215	Skagit County	Affordable Housing	Homeless services	Currently allocated toward farm worker vouchers.
Document Recording Fee (homeless services)	$752,293	Skagit County	Homeless Services	PSH services/operations funding	Currently allocated toward rental assistance, case management, and shelters.
Consolidated Homeless Grant	$595,858	Skagit County	Homeless Services	PSH services/operations funding	Currently allocated toward rental assistance, case management, and shelters.
Section 8 Vouchers	$2,901,141	Housing Authority of Skagit County	Affordable Housing	Operations funding	2015 data shows payments to landlords of $2,901,141 for 503 vouchers. Housing Authority will have more recent data.
Economic Development Public Facility Funds	$100,000+	Skagit County	Economic Development	Impact/utility hookup fees for affordable housing	We received $100,000 in allocations for 2016 and may receive future allocations from this fund if needed.
McKinney Vento Grants	$125,000	Community Action	Homeless Services	PSH services/operation	Currently allocated toward rental assistance and supportive services for chronically homeless clients.
HOME	$674,000 (across three counties)	Skagit County, Island County, Whatcom County	Affordable Housing	Homeless services	At least $100,000 year set aside for affordable housing development (the rest currently goes toward tenant based rental assistance for homeless clients); Split across three counties.
CDBG	$432,933+	Mount Vernon and Anacortes; WA State Dept of Commerce	Community Development	Land acquisition; preservation	Skagit County could apply for land acquisition/preservation funding from Commerce for shovel-ready projects.
1/10 of 1% behavioral health sales tax	$572,000+	Skagit County	Behavioral Health Services	Supportive services, capital, operations for clients with a BH disorder	Currently, the County allocates $572,000 of $3,000,000 toward homeless housing/ homeless services.

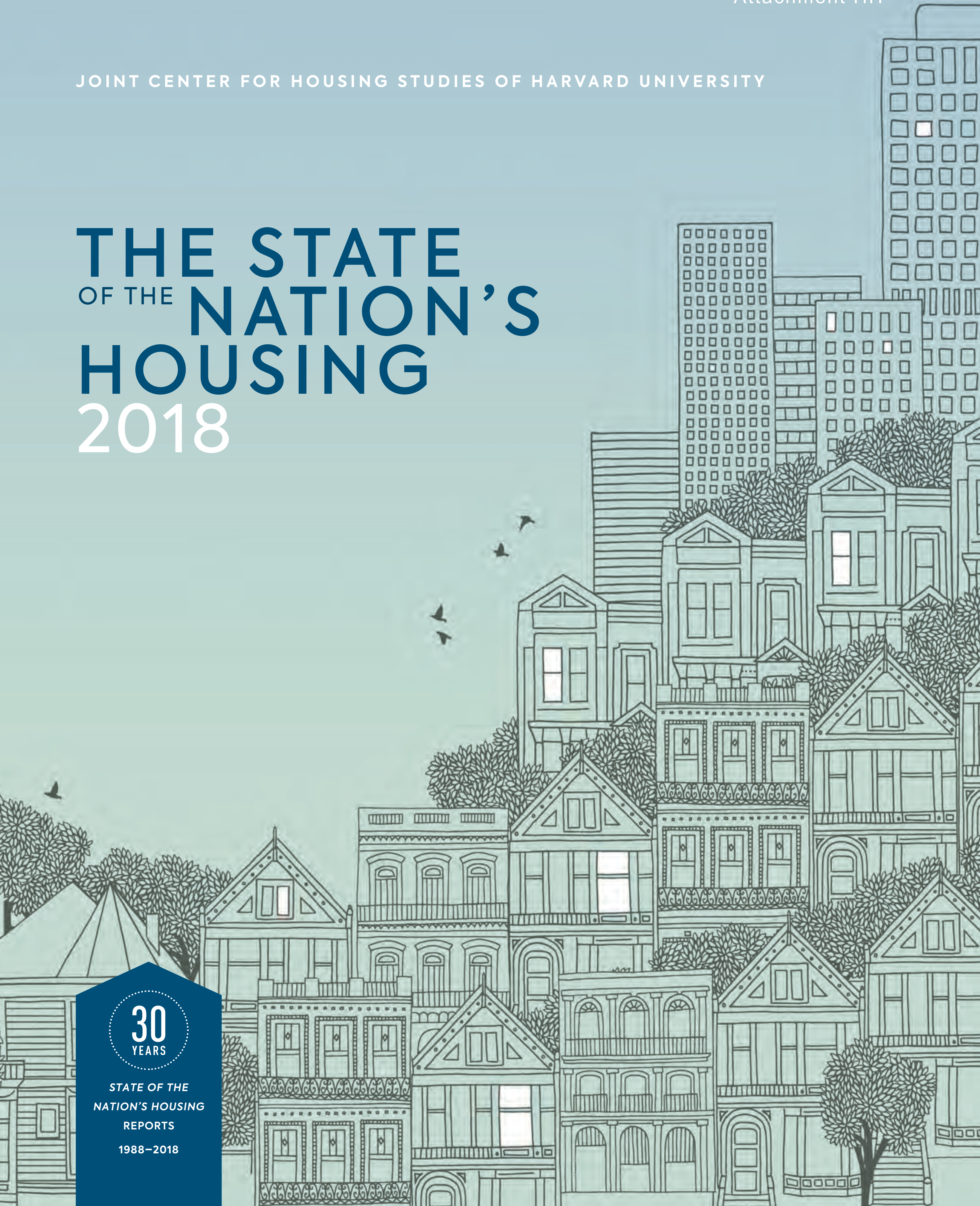
A-3: Recent example actions that cities in Skagit County are already taking to address housing affordability issues. These actions can fit within and be aligned with the Action Plan framework.

Jurisdiction	Action	Category
City of Anacortes	Developing strategic plan for housing affordability	-
City of Anacortes	Considering changes to development regulations:	Regulatory Issue
	■ Lots size minimums and maxmimum densities ■ Off-street parking requirements ■ Establishing minimum densities	
City of Anacortes	Considering incentives for multifamily housing:	Regulatory Issue
	■ Increase building heights inexchange for affordable units ■ Re-establishing MFTE program ■ Reducing impact fees for qualifying projects	
City of Mount Vernon	Creating overlay zone to facilitate development of supportive housing facilities	Regulatory Issue
City of Mount Vernon	Committed CDBG funds for affordable housing	Financial Issue
City of Mount Vernon	Considering code amendments to incentivize affordable housing	Regulatory Issue

Attachment HH

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

THE STATE OF THE NATION'S HOUSING 2018



30 YEARS

STATE OF THE NATION'S HOUSING REPORTS 1988–2018

CONTENTS

JOINT CENTER FOR HOUSING STUDIES
OF HARVARD UNIVERSITY

HARVARD GRADUATE SCHOOL OF DESIGN

HARVARD KENNEDY SCHOOL

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- National Association of REALTORS®
- National Council of State Housing Agencies
- National Housing Conference
- National Housing Endowment
- National League of Cities
- National Low Income Housing Coalition
- National Multifamily Housing Council

1 EXECUTIVE SUMMARY

As we mark the 30th anniversary of the *State of the Nation's Housing* series, this year's report presents an opportunity to reflect on how housing market conditions in the United States have evolved over the decades. In addition to our usual look at current trends, the analysis examines how some of today's conditions echo the past and are a yardstick for the progress we as a nation have and have not made in fulfilling the promise of a decent, affordable home for all.

THE PERSISTENCE OF HOUSING CHALLENGES

As the inaugural *State of the Nation's Housing* report noted, the majority of Americans were well housed in 1988, and a number of metrics point to improving conditions since then. More than 40 million units have been built over the past three decades, accommodating 27 million new households, replacing older homes, and improving the quality of the nation's stock. The typical home today is larger and more likely to have air conditioning, multiple bathrooms, and other amenities. Structurally inadequate housing was rare 30 years ago and even rarer now.

Nevertheless, several challenges highlighted in the Joint Center's first report persist today. In the 1980s, high mortgage interest rates put the cost of homeownership out of reach for many. With fewer young adults buying homes, demand for rental housing remained high—as did rents despite a boom in multifamily construction. Rapid losses of low-cost rentals forced millions more lower-income households to spend outsized shares of their incomes on housing. Despite their growing numbers, only about one in four very low-income renters benefited from subsidies to close the gap between market rents and what they could afford to pay.

Homeownership rates among young adults today are even lower than in 1988, and the share of cost-burdened renters is significantly higher. Soaring housing costs are largely to blame, with the national median rent rising 20 percent faster than overall inflation in 1990–2016 and the median home price 41 percent faster. Although better housing quality accounts for some of this increase, sharply higher costs for building materials and labor, coupled with limited productivity gains in the homebuilding industry, have made housing construction considerably more expensive. Land prices have also skyrocketed as population growth in metro areas has intensified demand for well-located sites. In addition, new regulatory barriers have also served to limit the supply of land available for homes and increased the time, complexity, and risks of housing development.

Along with soaring housing costs, weak income growth among low- and moderate-income households has also contributed to affordability pressures. The real median income of households in the bottom quartile increased only 3 percent between 1988 and 2016, while the median income among young adults in the key

25–34 year-old age group was up just 5 percent. Meanwhile, gross domestic product per capita, a measure of total economic gains, increased some 52 percent in 1988–2017. If incomes had kept pace more broadly with the economy's growth over the past 30 years, they would have easily matched the rise in housing costs—underscoring how income inequality has helped to fuel today's housing affordability challenges.

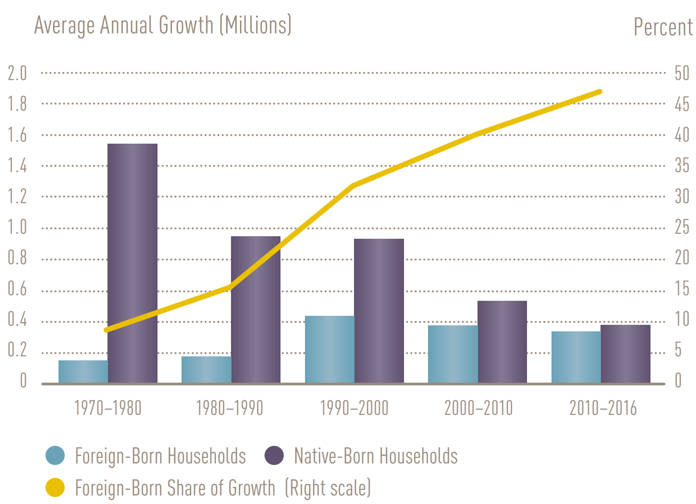
DEMOGRAPHICS LIFTING HOUSEHOLD GROWTH

The size and age structure of the adult population, together with the rates at which people form households, determine how much new housing is needed to meet increased demand. In 2016, the Joint Center projected robust growth of 13.6 million households over the next decade, assuming a pickup in household formations among the millennial generation (born 1985–2004), longer periods of independent living among the baby-boom generation (born 1946–1964), and moderate growth in foreign immigration. However, based on the Census Bureau's new, lower population estimates and additional declines in household formation rates among young adults, the latest Joint Center projections put household growth in 2017–2027 significantly lower at 12.0 million. This total is more in line with the 1.1 million average annual increase over the last three years.

Most of this new outlook reflects lower net foreign immigration and higher mortality rates among native-born whites. In combination, these changes mean slower growth in the number of older white households as well as of Hispanic and Asian households of most ages. Although lower than the 1.3 million per year previously projected, net immigration is still expected to average 1.0 million annually over the next decade as growth of the native-born population continues to slow. As a result, immigrants will increasingly drive household growth, especially after 2025 when native-born population growth decelerates further. As it is, the foreign-born share of household growth has already climbed from 15 percent in the 1980s to 32 percent in the 1990s and to nearly half so far this decade **(Figure 1).**

FIGURE 1

Immigration Has Become an Increasingly Important Source of Household Growth



Source: JCHS tabulations of US Census Bureau, 1970–2000 Decennial Censuses, and 2000–2016 American Community Survey 1-Year Estimates.

Relatively low headship rates among millennials also contribute to lower projected household growth. Despite the recent pickup in incomes, adults under age 35 are still not forming households at rates as high as previous generations at that age. This suggests that other forces are at play, including higher rates of college and graduate school attendance and lower rates of marriage and childbearing. High housing costs may also be a factor, given the smaller share of young adults heading up households in expensive housing markets. Indeed, just 31 percent of adults aged 25–29 head their own households in the nation's 25 least affordable metros (measured by the share of renters with cost burdens), compared with 41 percent in the 25 most affordable metros.

Because of their sheer numbers, however, millennials have still helped to boost household growth. With the leading edge of this large generation now in its early 30s, adults under age 35 formed 10.5 million new households in 2012–2017, 1.5 million more than in the previous five-year period. Given that millennials born at the peak are now in their late 20s and the youngest are just 13, this generation will continue to lift household growth for years to come.

The overall aging of the US population has important implications for housing markets, with 65–74 year olds now the fastest-growing age group. Since older adults generally live in established households and strongly prefer to remain in their homes as they age, they have not historically added significantly to new housing demand. But given the size of the baby-boom generation, households headed by persons age 65 and over will continue to grow at an unprecedented pace in the next decade, increasing the presence of older households in both the homeowner and rental markets.

Since older households own many of the nation's existing homes, they will also drive strong growth in spending on improvements and repairs—and, increasingly, home modifications that ensure their ability to age safely in place. For the millions of older owners with limited incomes and wealth, however, these expenditures may present a financial challenge. And whether they own or rent, the growing population of older adults will require better access to transportation and support services, adding to the pressures on local governments to expand the supply of good-quality, affordable, and accessible housing.

DEMAND SHIFT FROM RENTING TO OWNING

After a decade of soaring rental demand, US households are edging their way back into the homebuyer market. Growth in the number of renter households slowed from 850,000 annually on average in 2005–2015 to just 220,000 in 2015–2017, while the number of owner households rose 710,000 annually on average in the past two years. This reversal lifted the national homeownership rate to 63.9 percent last year, with gains spread across most age, race, and ethnic groups. While too early to tell whether this is the start of a rebound, the homeownership rate appears to have at least stabilized.

If today's national homeownership rate is the new normal, it is settling close to the 64 percent that prevailed just before the housing boom and bust started in 1994. Even so, the current homeownership rate for adults aged 25–34 is 4.2 percentage points lower than in 1994 and 6.3 percentage points lower than in 1987 **(Figure 2).** The differences for the 35–44 year-old age group are even larger, with the current rate down 5.5 percentage points from 1994 and 8.2 percentage points from 1987. Households 65 and over are the only age group with higher homeownership rates today, up 3.3 percentage points from 1987. In fact, the only reason the national rate is near the 1994 level is because older adults now make up such a large share of households.

Although the changes in homeownership by race and ethnicity are mostly positive, black households are the one group that has made no appreciable progress **(Figure 3).** Compared with 1994, black homeownership rates have increased just 0.3 percentage point while white rates have risen 2.2 percentage points, widening the black-white gap to 29.2 percentage points. This disparity is even more troubling given that the gap was 23.5 percentage points in 1983, when the black homeownership rate was 2.6 percentage points higher than today. Although rates for both Hispanics and Asians have risen somewhat since 1994, the disparities with white rates are still substantial at 26.1 percentage points and 16.5 percentage points, respectively.

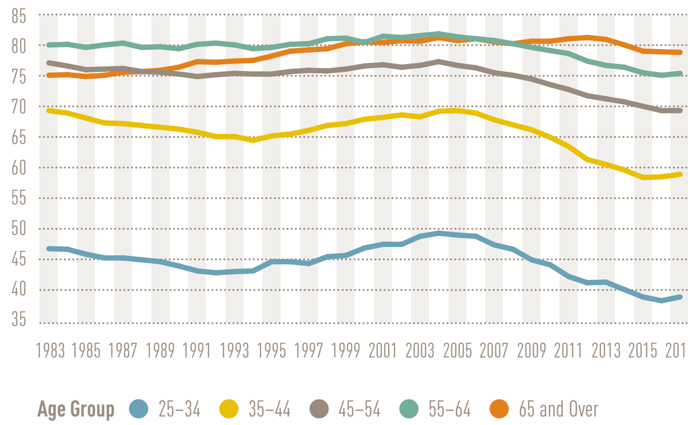
The choice between owning and renting depends on a variety of factors, including relative costs, expected length of stay, tolerance for financial risk, and the perceived benefits of each option. As such, there is no "ideal" homeownership rate. But the wide gap in white-minority homeownership rates conflicts with evidence from consumer surveys that renters of all races and ethnicities want to own homes in the future. Given both the desire to own and the ability of many renters to sustain homeownership, restricted homebuying opportunities for minorities should be a critical public concern.

Regardless of race or ethnicity, though, the latest runup in house prices has made homeownership more difficult to attain. In 1988, when the first *State of the Nation's Housing* report highlighted historically high homeownership costs, the national home price-to-income ratio was 3.2, with just one metro posting a ratio above 6.0. In 2017, the national price-to-income ratio stood at 4.2, and 22 metros had ratios above 6.0. So far, however, low interest rates have kept the median monthly payments on a modest home relatively affordable—in fact $250 lower in real terms than in 1988. However, the ongoing rise in both interest rates and home prices may change this. In addition, higher prices mean higher downpayments and closing costs, an even more difficult hurdle than monthly payments for many first-time homebuyers.

FIGURE 2

Homeownership Rates for Both Young Adults...

Homeownership Rate (Percent)

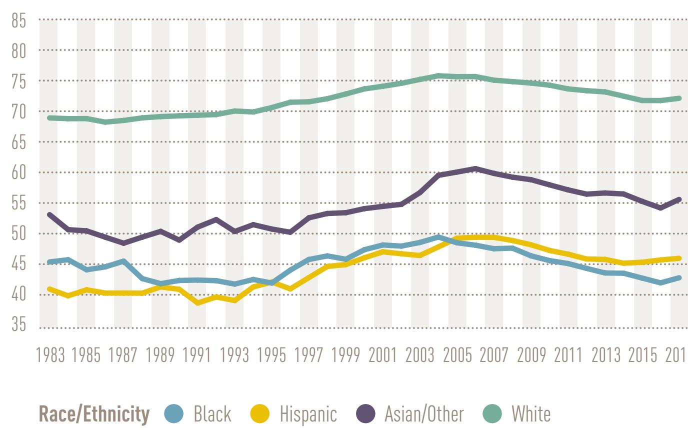


Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

FIGURE 3

...and Black Households Are Near 30-Year Lows

Homeownership Rate (Percent)



Notes: Blacks, whites, and Asians/others are non-Hispanic. Hispanics may be of any race.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys

CONTINUING CONSTRAINTS IN THE SINGLE-FAMILY MARKET

Supplies of existing single-family homes for sale remain extremely tight. In fact, both key measures of inventories are at their lowest levels since the National Association of Realtors began its tracking in 1982 **(Figure 4)**. In 2017, the supply of for-sale homes averaged only 3.9 months—well below the 6 months considered a balanced market. Zillow puts supply even lower at just 3 months, with inventories in roughly a third of 93 metros under 2 months.

Lower-cost homes are especially scarce. Virtually all of the 88 metros with data available had more homes for sale in the top third of the market by price than in the bottom third. In 46 of these metros, more than half of the available supply was at the high end. The largest imbalances were in moderately sized, moderately priced, and fast-growing metros such as Boise, Charlotte, Des Moines, and Durham, where about 65 percent of existing homes for sale were at the upper end of the market.

Why inventories are so tight is not entirely clear. CoreLogic data show that the number of owners underwater on their mortgages shrank from more than 12.1 million in 2011 to 2.5 million in 2017, so negative equity should no longer be a significant drag on sales. Still, conversion of 3.9 million single-family homes to rentals in 2006–2016 could be constraining the number of entry-level homes on the market. The ongoing decline in residential mobility rates may also play a role, with fewer households putting their homes up for sale each year.

Another factor is the low level of single-family construction. Despite six consecutive years of increases, single-family starts stood at just 849,000 units in 2017, well below the long-run annual average of 1.1 million. Indeed, only 610,000 single-family homes were added to the stock annually in 2008–2017. Limited new construction may hold back existing home sales by reducing the tradeup options for current owners, deterring them from putting their own homes on the market.

The slow growth in single-family construction reflects in part homebuilder caution following the dramatic housing bust. But risk aversion aside, a significant constraint on new residential construction may be the dwindling supply of buildable lots. According to Metrostudy data, the inventory of vacant lots in the 98 metro areas tracked fell 36 percent in 2008–2017. Indeed, 21 of the nation's 25 largest metros reported inventories that would support less than 24 months of residential construction.

Along with limited land, respondents to builder surveys cite rising input costs as adding to the difficulty of constructing entry-level homes. As a result, the share of smaller homes (under 1,800 square feet) built each year fell from 50 percent in 1988 to 36 percent in 2000 to 22 percent in 2017. Of this latest drop, 9 percentage points occurred in 2010–2013 alone.

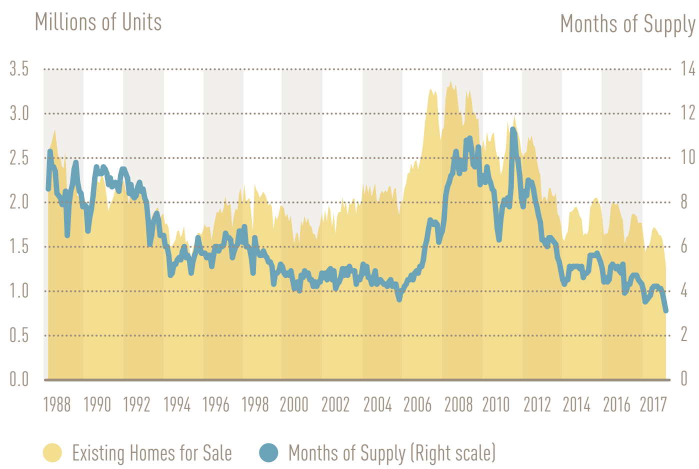
MULTIFAMILY CONSTRUCTION LEVELING OFF

Unlike single-family homebuilding, multifamily construction ramped up quickly after the crash as rental demand surged. From a low of 109,000 units in 2009, construction of multifamily units peaked at 397,000 starts in 2015 and accounted for more than half the gains in housing starts over that period. However, the multifamily construction wave is now moderating, with starts down 1 percent in 2016 and 10 percent in 2017.

This slowdown comes in response to both weaker overall rental demand and increasing slack at the upper end of the market. The

FIGURE 4

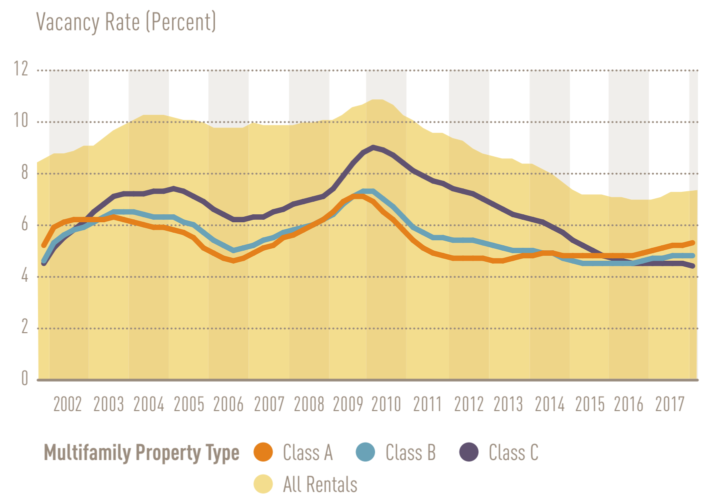
Inventories of Single-Family Homes for Sale Dropped Again in 2017



Note: Months of supply measures how long it would take the number of homes on the market to sell at the current rate, where 6 months is typically considered a balanced market.
Source: JCHS tabulations of National Association of Realtors (NAR), Existing Home Sales.

FIGURE 5

The Recent Rental Market Easing Is Largely at the High End



Notes: Vacancy rates are smoothed 4-quarter trailing averages. The vacancy rate for all rental units includes single-family rentals and is from the HVS. Vacancy rates for Class A, B, and C units are from RealPage, and refer to professionally managed apartments.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys, and RealPage data.

Census Bureau reports that the national rental vacancy rate rose last year for the first time since 2009, ticking up from 6.9 percent to 7.2 percent. Most of the easing is among high-end (Class A) rentals, although vacancies in middle-market (Class B) apartment properties were up slightly as well **(Figure 5).** In 2013, units renting for $1,000 or more had the lowest vacancy rate of all rentals, while units renting for less than $600 had the highest rate. The situation has now reversed, with vacancies at 6.8 percent in the low-cost market and 7.7 percent in the high-cost market.

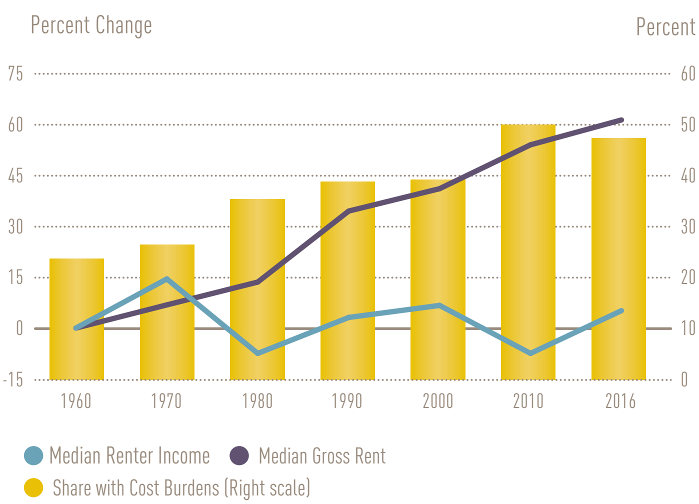
The recent strength of rental construction has done little to address the shortage of lowest-cost units. Between 2006 and 2016, the total number of occupied rentals was up by 21 percent, but the number renting for under $650 in real terms fell by 5 percent. Over this same period, the lowest-cost rental stock shrank by more than 10 percent in 153 of the nation's 381 metros and by more than 20 percent in 89 metros. These losses indicate that older rental units have not filtered down to more affordable levels in many parts of the country.

AFFORDABILITY PRESSURES EASE, BUT REMAIN WIDESPREAD

At last measure in 2016, some 38.1 million households spent more than 30 percent of their incomes on housing (the standard definition of cost burdened). While down by 800,000 from 2015 and by 4.6 million from the peak in 2010, the number of cost-burdened households was still some 6.5 million higher in 2016 than in 2001.

FIGURE 6

The Sharp Divergence in Housing Costs and Incomes Has Fueled a Long-Term Increase in Cost-Burdened Renters



Note: Rents and incomes are adjusted for inflation using the CPI-U for all items.
Source: JCHS tabulations of US Census Bureau, 1960–1990 Decennial Censuses, and 2000–2016 American Community Surveys.

All of the drop in cost-burdened households is among homeowners, whose numbers fell by 5.5 million in 2010–2016. The pickup in income growth and the low interest rate environment no doubt helped, but this improvement also reflects the fact that millions of distressed owners lost their homes to foreclosure during the housing crisis and, more recently, that lenders have imposed stricter payment-to-income requirements for new buyers. Moreover, the number (4.1 million) and share (84 percent) of cost-burdened homeowners earning under $15,000 was unchanged over this period. Nearly half of burdened owners at this income level are age 65 and over, and of that group, three-quarters are single-person households.

The improvements in affordability for renters are much more modest. Although the share of cost-burdened renters retreated from a peak of 51 percent in 2011 to 47 percent in 2016, strong growth in renters overall meant that the number with burdens continued to rise through 2014. Their numbers did drop by 500,000 in 2014–2016, but the previous increase of 6.5 million in 2001–2014 dwarfed this progress. In addition, more than half of the growth in cost-burdened renters since 2001 was among households paying more than half their incomes for housing. Indeed, the number of severely burdened renters rose by 3.6 million between 2001 and 2016.

Housing affordability problems are part of a longer-term trend that was evident well before publication of the first *State of the Nation's Housing* report. The cost-burdened share of renters doubled from 23.8 percent in the 1960s to 47.5 percent in 2016 as housing costs and household incomes steadily diverged, with the largest increases occurring in the 2000s. Adjusting for inflation, the median rent payment rose 61 percent between 1960 and 2016 while the median renter income grew only 5 percent **(Figure 6).** The pattern for homeowners is similar, with the median home value increasing 112 percent and the median owner income rising only 50 percent.

POLICY CHALLENGES

Expanding the supply of lower-cost housing would help relieve the cost burdens of some households of modest means, but subsidies are the only way to close the affordability gap for the nation's lowest-income families and individuals. Even so, increases in federal rental assistance have lagged far behind growth in the number of renters with very low incomes, the group typically eligible for subsidies. Between 1987 and 2015, the number of very low-income renters grew by 6 million while the number assisted rose only 950,000, reducing the share with assistance from 29 percent to 25 percent **(Figure 7).**

The two main rental assistance programs are housing choice vouchers administered by the Department of Housing and Urban Development and low-income housing tax credits (LIHTC) administered by the Treasury Department. Between 2000 and 2017, the number of vouchers in use only edged up from 1.8 million to 2.2 million, as funding increases fell short of the higher costs per voucher caused by a widening gap between renter incomes and fair market rents (FMRs). Meanwhile, the number of LIHTC-funded units available for occupancy grew steadily from 880,000 in 2000 to about 2.5 million in 2017.

Although last year's Tax Cuts and Jobs Act reduced corporate tax rates and therefore the value of investments in LIHTC properties, higher annual allocations under this year's federal budget offset a fraction of the falloff in value. The budget also provides developers greater flexibility in setting rents, which will help to expand support for households with a broader range of incomes. But with the affordability periods of more than a million subsidized units expiring over the next decade and the growing shortfall in low-cost housing, the current rate of LIHTC production of about 80,000 units per year falls well short of need.

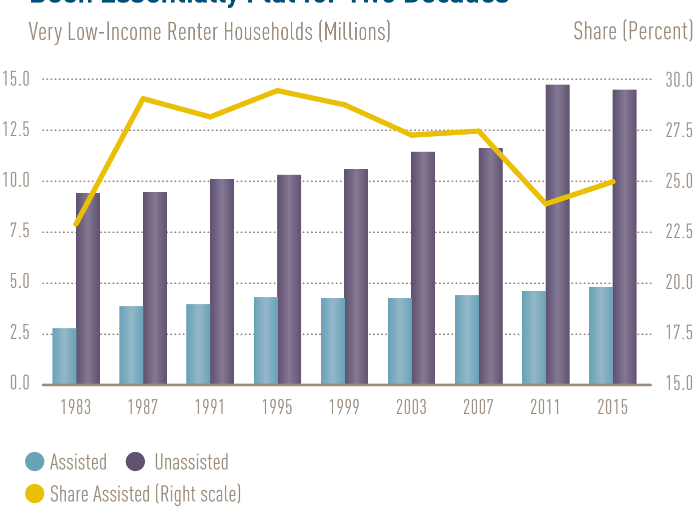
For their part, many state and local governments are finding new ways to leverage and supplement federal funds to spur development of below-market-rate housing. These strategies include raising new revenues through bond issuances, real estate transfer taxes, and linkage fees, as well as using their regulatory powers to either incentivize or mandate inclusion of affordable units in new market-rate developments. However, state and local initiatives are generally modest in scale.

Programs supporting homeownership are also limited in scope. Research has consistently found that the largest barrier for first-time buyers is insufficient savings to meet downpayment requirements and other upfront costs. Federal downpayment assistance programs, however, serve less than 50,000 households annually. Mortgage revenue bond programs, administered by state housing finance agencies, also provide below-market-rate loans to lower-income households, but support only a limited number of buyers each year.

Expanding homeownership opportunities for young adults and minorities will thus require broader and better-targeted policies to encourage saving and provide financial assistance as necessary. Counseling programs would also help potential buyers navigate the homebuying process and fulfill the ongoing requirements of homeownership.

FIGURE 7

Despite a Sharp Rise in Income-Eligible Households, the Number of Renters with Housing Assistance Has Been Essentially Flat for Two Decades



Notes: Very low-income renter households earn 50% or less of area median income. Assisted households may receive assistance from state and local as well as federal programs.
Source: JCHS tabulations of US Department of Housing and Urban Development (HUD), Worst Case Housing Needs Report to Congress.

THE OUTLOOK

By many metrics, the housing market is on sound footing. With the economy near full employment, household incomes are increasing and boosting housing demand. On the supply side, a decade of historically low single-family construction has left room for expansion of this important sector of the economy. Although multifamily construction appears to be slowing, vacancy rates are still low enough to support additional rentals. In fact, to the extent that growth in supply outpaces demand, a slowdown in rent growth should help to ease affordability concerns.

Indeed, the cumulative effect of strong growth in housing costs and modest gains in household incomes has left nearly half of today's renters with cost burdens, including a quarter with severe burdens. The rising cost of homes for sale also raises downpayment and closing costs, making it more difficult for individuals and families to make the transition to owning.

National efforts are necessary to close the affordability gap. Housing policymakers have many opportunities to address the cost side of the equation, including the increasing size and quality of homes; lack of productivity improvements in the residential construction sector; escalating costs of labor, building materials, and land; and barriers created by a complex and restrictive regulatory system. However, tackling this broad mix of conditions will require collaboration of the public, private, and nonprofit sectors in a comprehensive strategy that fosters innovation in the design, construction, financing, and regulation of housing.

But even if successful, these efforts will not produce decent, affordable homes for the millions of households that simply cannot pay enough to cover the costs of producing that housing. For these families and individuals, there will always be a need for public subsidies. The federal government's failure to respond adequately to this large and growing challenge puts millions of households at risk of housing instability and the threats it poses to basic health and safety. Many state and local governments are doing their part to expand assistance, but a more robust federal response is essential to any meaningful progress in combatting the nation's housing affordability crisis.

2 HOUSING MARKETS

New construction, home sales, and housing prices ticked up modestly in 2017, but a slowdown in the multifamily sector and the rising costs of residential construction are preventing a stronger upturn in housing markets. Intense competition for the historically low supply of existing homes on the market has pushed up home prices in most metros, raising further concerns about affordability.

MODEST GROWTH IN NEW CONSTRUCTION

Although marking the eighth year of growth, total housing starts only edged up from 1.17 million units in 2016 to 1.20 million in 2017. In percentage terms, last year's increase was the smallest annual gain since the recession. Even so, single-family homebuilding continued to strengthen in 2017, rising 8.6 percent to 848,900 units **(Figure 8).** Starts rose across the country, with the largest increase in the West (14 percent), followed by the Midwest and South (8 percent), and then the Northeast (3 percent). At the current pace of growth, however, single-family starts would not regain their 2000 level of 1.23 million units until 2022.

Meanwhile, multifamily starts declined 9.7 percent to 354,100 units last year, but were still slightly above the 342,000 annual average in 1997–2006. Multifamily activity fell the most in the Midwest (20 percent) and the least in the West (2 percent). Nevertheless, the multifamily pipeline remains strong. Completions were up by more than 11 percent in 2017, to 357,600 units—the highest level since the 1980s. In addition, 604,000 multifamily units were under construction last year, slightly below the 2016 level but otherwise higher than at any point since the early 1970s.

The modest growth in new construction helped to increase real residential fixed investment (RFI) for the sixth straight year, lifting the total from $721 billion in 2016 to nearly $748 billion in 2017. This increase also reflects the ongoing strength of homeowner improvement and repair spending, estimated at $315 billion last year. Indeed, 2017 was the tenth consecutive year that homeowner outlays exceeded spending on single-family construction.

Still, the 3.7 percent increase in RFI last year was the smallest annual gain since the recovery began in 2011. As a result, the sector contributed just 0.07 percentage point of the 2.3 percent real growth in gross domestic product (GDP) in 2017. As a share of the economy, RFI alone accounted for 3.9 percent of GDP. Adding in spending on housing services and furnishings, the combined housing-related share of GDP totaled 18.2 percent last year.

GEOGRAPHIC DISTRIBUTION OF NEW HOUSING

Housing permits rose from 1.21 million in 2016 to 1.28 million units in 2017, with 61 of the nation's 100 largest metro areas reporting increases. Single-family permitting was up in 78 of these markets, while multifamily permitting increased in only 48. The largest numbers of permits were issued in Dallas (62,500), New York (50,600), Houston (42,400), Atlanta (33,800), and Los Angeles (31,100).

New construction remained strong in the core counties of large metro areas, with 437,700 permits issued in 2017—about a third of the nationwide total. Permitting in these counties rose at a double-digit pace in 2010–2015, declined in 2016, but then grew 4.9 percent in 2017. As a result, residential construction in core counties was 28 percent above levels averaged in the 1990s and nearly on par with those in the 2000s, reflecting significant increases in multifamily activity since 2010 **(Figure 9).**

Permitting outside of the core counties of large metros is still below the 1990s average, down 16 percent in the non-core counties of large metros and 6 percent in all other metro areas. Construction is even further below average levels from the 2000s, with permitting down 23 percent in non-core counties and 24 percent in other metros. Single-family permitting, which remained low across the board in 2017, accounted for an important share of activity outside of core areas. Last year, permits for single-family homes contributed just 43 percent of total permits issued in core counties, but 73–75 percent of permits in non-core counties and other metro areas.

Given the recent uptick in single-family homebuilding and the moderation in multifamily permitting, new construction has increased more rapidly outside central counties. In 2014–2017, residential permitting rose 18 percent in core counties, but fully 25 percent in non-core counties and 26 percent in other metro areas.

FIGURE 8

Most Housing Market Indicators Remained Positive in 2017

	2016	2017	Percent Change 2015–16	Percent Change 2016–17
Residential Construction (Thousands of units)				
Total Starts	1,174	1,203	5.6	2.5
Single-Family	782	849	9.4	8.6
Multifamily	392	354	-1.3	-9.7
Total Completions	1,060	1,153	9.5	8.8
Single-Family	738	795	14.0	7.7
Multifamily	321	358	0.3	11.3
Home Sales (Thousands)				
New Single-Family	561	613	12.0	9.3
All Existing	5,450	5,510	3.8	1.1
Median Sales Price (Thousands of dollars)				
New Single-Family	314.4	324.0	3.3	3.1
All Existing	238.8	247.2	3.8	3.5
Existing Home Inventory				
Homes for Sale (Thousands)	1,650	1,460	-6.3	-11.5
Months of Supply	4.4	3.9	-8.3	-11.4
Construction Spending (Billions of dollars)				
Residential Fixed Investment	720.9	747.6	8.0	3.7

Notes: Components may not add to totals due to rounding. Dollar values are adjusted for inflation using the CPI-U for all items. Residential fixed investment includes spending on new housing construction and homeowner improvements, plus broker commissions on home sales.
Sources: US Census Bureau, New Residential Construction and New Residential Sales; NAR, Existing Home Sales; Bureau of Economic Analysis, National Income and Product Accounts.

ADDITIONS TO THE MODERATE-COST SUPPLY

In the aftermath of the recession, developers targeted the high end of the single-family market by building larger homes. Indeed, the typical size of newly constructed single-family housing reached an all-time high of 2,466 square feet in 2015.

But with many buyers looking for more moderate-cost homes, new construction is beginning to add to the supply of smaller homes **(Figure 10).** Completions of single-family homes under 1,800 square feet were up 20 percent in 2016, outpacing the 12 percent increase in larger homes. Shipments of manufactured housing also rose 15 percent for the second straight year in 2017, but completions of multifamily condominiums declined 15 percent.

Nonetheless, entry-level housing still accounts for a small share of new construction. Only 163,000 small single-family homes were completed in 2016, or 22 percent of single-family construction—down significantly from the 33 percent share averaged in 1999–2007. Moreover, manufactured home shipments totaled just 93,000 units in 2017, far below the 291,000 annual average in the 1990s and even the 137,000 annual average in the 2000s.

Modest-sized homes are considerably more affordable for first-time and middle-market buyers. According to the Survey of Construction, the median price for a small home sold in 2016 was $191,700. The average sales price for a new manufactured home in 2017 was even lower, at $72,000. By comparison, the median price for all other single-family homes was $324,700 in 2016.

With few additions of smaller units, most modestly priced homes are found in the existing housing stock. Indeed, small homes make up nearly half of single-family homes. In 2015, there were 37.3 million single-family homes under 1,800 square feet. The stock of small homes is generally older, with nearly two-thirds (65 percent) built before 1980 compared with 43 percent of larger homes.

Manufactured housing is prevalent primarily in the South, where some 58 percent of the 6.6 million units nationwide are located. Another 21 percent are in the West, 14 percent in the Midwest, and just 7 percent in the Northeast. Nearly two-thirds of manufactured housing shipments between 2009 and 2017 were also to the South.

As a result, manufactured homes make up 9 percent of the total housing stock in the South, with especially large shares in South Carolina (16 percent) and in West Virginia and Mississippi (14 percent each). While the share in other regions is only 4 percent, a few states also have high concentrations of manufactured housing, including New Mexico (17 percent) and Wyoming (13 percent). Manufactured housing also provides 14 percent of homes in non-metro communities, more than double the share in the country as a whole.

IMPEDIMENTS TO HOMEBUILDING

Four main constraints stand in the way of a stronger upturn in housing construction. First is the shortage of skilled workers. In a 2017 survey of homebuilders, 82 percent of respondents cited the cost and availability of labor as a significant problem. Unemployment in the construction industry fell to 6 percent last year, while inflation-adjusted construction wages and benefits were up 7 percent from 2001—somewhat less than the 9 percent increase for all private industry workers. These pay raises have not been sufficient to attract new workers, and the number of job openings in the construction industry approached 200,000 by the end of 2017—the highest level in a decade.

Second, the cost of building materials has risen. The Bureau of Labor Statistics reports that the prices of raw and manufactured goods used as inputs for residential construction increased 4 percent last year, with the price of softwood lumber alone up 13 percent. However, input price increases vary with building cycles and their growth over longer time periods has been more moderate.

Third, developed land has become scarcer. Metrostudy data for 98 metro areas indicate that the number of vacant developed lots declined from 1.26 million in 2008 to just 802,000 in 2017. As measured by months of supply (where 24–36 months is considered a balanced market), the inventory shrank in 73 of those 98 markets in 2016–2017. The shortage of land for new housing is especially acute in the Western metros of San Francisco (9 months), San Diego (10 months), Seattle (10 months), Los Angeles (12 months), and Las Vegas (13 months). In contrast, developed land is more readily available in many Southern and Midwestern markets, like Chicago (62 months), Atlanta (44 months), and Minneapolis (28 months).

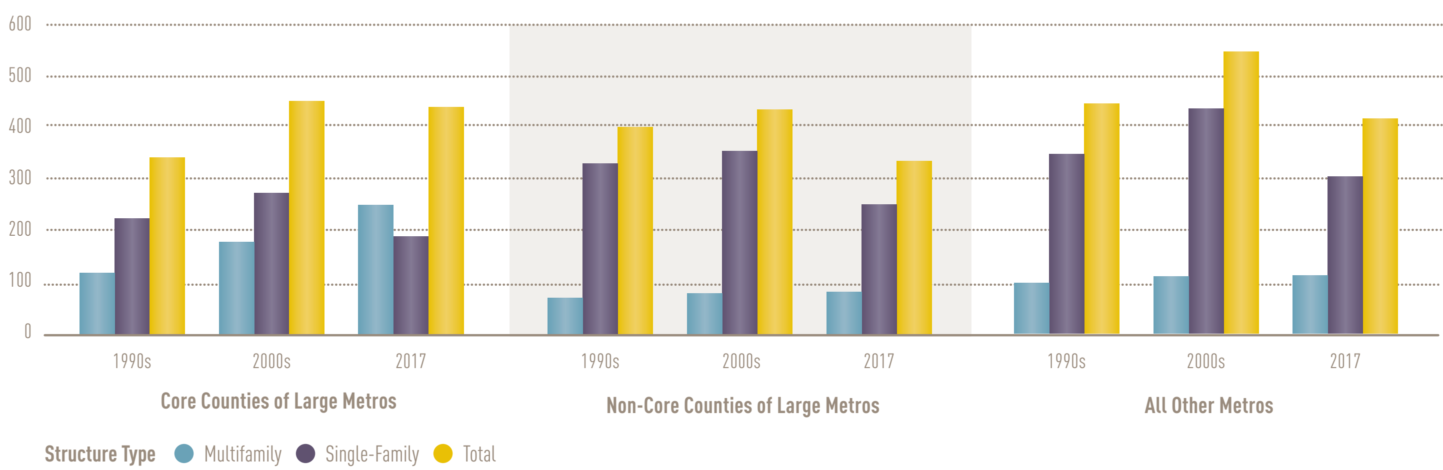
Finally, local zoning and other land use regulations can reduce the amount of new construction by constraining the type and density of new housing allowed. Local governments also add to costs by delaying approvals and charging sizable fees. For example, a 2015 Duncan Associates survey of 271 communities found that the average impact fee for construction of a moderate-sized single-family home was $11,900, with charges ranging as high as $31,800 on average in California. While new residential developments should contribute to the costs of providing infrastructure and public services, high fees make it even more challenging to provide housing.

All of these impediments push up the costs of residential construction. Setting aside the cost of land and development, RSMeans estimates that building an economy-quality, 1,200 square-foot home would cost $141,300 in 2018, assuming prevailing wages and a 15

FIGURE 9

High Levels of Multifamily Construction Have Boosted Development in Core Counties of Large Metros

Average Annual Housing Permits Issued (Thousands)



Notes: Large metro areas have populations over 1 million. Core counties of large metro areas contain either the largest city or any city with 250,000 residents. Non-core counties are all other counties in large metro areas.
Source: JCHS tabulations of US Census Bureau, Building Permits Surveys.

percent contractor fee. While on par with 2017, this represents a 12 percent jump from 2014 after adjusting for inflation.

Modular housing, constructed in factory conditions before being transported and assembled on site, could provide at least part of the answer. Including the value of land, the median price for a new modular unit was $217,200 in 2016—nearly $90,000 less than for a new site-built home. To date, however, homebuilders have been slow to adopt this innovation, with only 15,000 modular homes added in 2016. Indeed, modular housing has never accounted for more than 4 percent of single-family construction in the United States. By comparison, modular housing accounts for 9 percent of new homes in Germany, 12–16 percent in Japan, and 20 percent in the Netherlands.

PERSISTENTLY LOW INVENTORIES AND SLOWING SALES

The National Association of Realtors reports that the number of homes on the market fell from 1.65 million in 2016 to 1.46 million in 2017. The single-family inventory alone shrank 11 percent, from 1.45 million to 1.29 million. In December 2017, for-sale inventories were at their lowest levels since at least 1999 for all homes and since 1982 for single-family homes. Meanwhile, the for-sale vacancy rate fell to 1.5 percent in the first quarter of 2018, matching the lowest readings since 1994.

Supplies were tight nearly everywhere **(Figure 11).** Of the 93 large metros tracked by Zillow, only one had a for-sale inventory of more than 6.0 months in 2017. Markets in many Western metros were especially hot, with supplies of less than a month in both San Francisco and San Jose. Home sales in Salt Lake City, Seattle, and Stockton also closely tracked the number of homes on the market. At the other extreme, the metros with the largest inventories of available homes were Bridgeport (6.9 months), El Paso (5.6 months), New Haven (5.3 months), Virginia Beach (4.8 months), and Scranton (4.8 months).

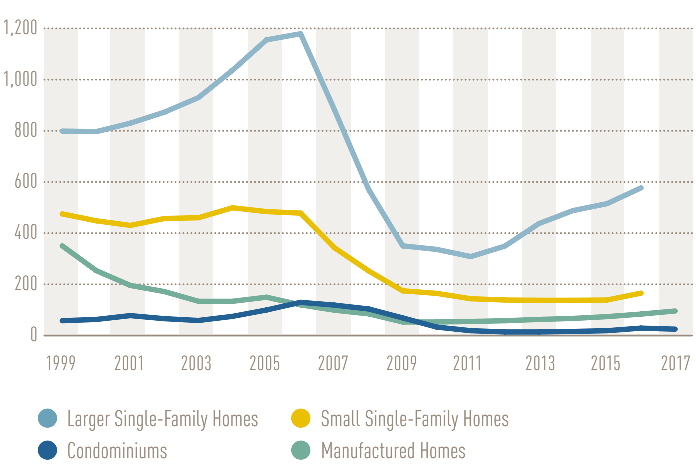
Constrained by limited inventory, growth in home sales slowed from 4.5 percent in 2016 to only 1.9 percent in 2017, to a total of 6.1 million units. Although increasing for the third consecutive year, existing home sales led the slowdown with just 1.1 percent growth, to 5.5 million units. The only appreciable upticks in sales (2–3 percent) were in the South and West.

In contrast, new home sales rose 9.3 percent from 2016, to 613,000 units. This was the sixth straight year of growth from the five-decade low of 306,000 units in 2011. More than half (55 percent) of new home sales were in the South, and about a quarter were in the West. Of the remaining sales, 12 percent were in the Midwest and only 7 percent in the Northeast.

FIGURE 10

Although Increasing Somewhat, Construction of Modest-Sized Housing Remains Limited

Units Added (Thousands)



Notes: Small single-family homes are under 1,800 sq. ft., and larger single-family homes are 1,800 sq. ft. and over. Condominiums are multifamily units built for sale. Manufactured homes are manufactured housing shipments. Single-family completions by home size for 2017 were unavailable at time of publication.
Source: JCHS tabulations of US Census Bureau, New Residential Construction and Manufactured Housing Surveys.

CONTINUED CLIMB IN HOME PRICES

Nominal home prices rose 6.2 percent over the course of 2017, even faster than the 5.3 percent increase in 2016. In real terms, home price appreciation was a strong 4.6 percent. As a result, the median price of an existing home rose from $237,387 in 2016 to $238,800 in 2017.

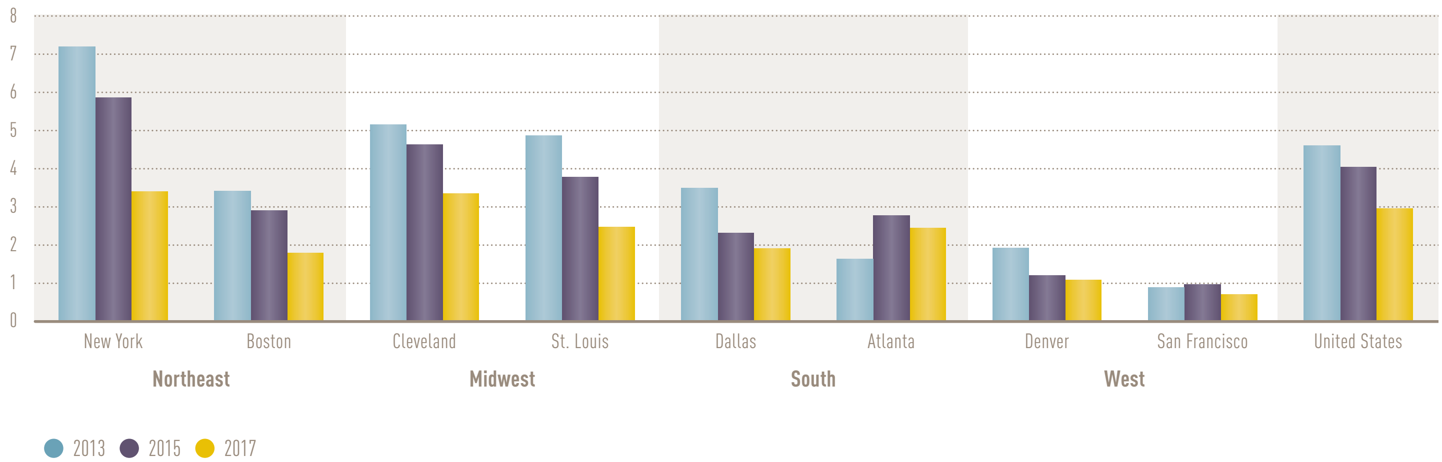
Recent home price trends vary sharply across the country. JCHS analysis of the FHFA All-Transactions Index indicates that nominal home prices in 13 of the nation's 100 largest metro areas rose more than 10 percent last year. The biggest increases were in the West, especially the Seattle (14 percent), Las Vegas (14 percent), and Salt Lake City (10 percent) metro areas. Appreciation also hit double digits in Dallas, Grand Rapids, Nashville, and Orlando. In contrast, home prices fell slightly in McAllen and were essentially flat in Bridgeport, Hartford, and New Haven.

By the end of 2017, nominal home prices in 59 of the nation's 100 largest markets exceeded their pre-crisis peaks. Prices were furthest above peak in metros that experienced only a modest downturn after the crash and then a surge in appreciation, such as Denver (62 percent above peak), Austin (58 percent), Dallas (55 percent), and Houston (44 percent). Other metros with above-peak home prices had posted less of a drop but also a milder rebound. In Albany, for example, home prices fell just 6 percent during the housing crisis, then climbed 10 percent through 2017 to stand 3 percent above the previous peak. Similar trends are evident in Little Rock, Oklahoma City, and Tulsa. In still other metros, home prices rebounded sharply from a severe drop. Los Angeles is one example, where nominal home prices fell by 36 percent after the crash, but now exceed the previous peak by 3 percent.

FIGURE 11

Inventories of Homes for Sale Continue to Shrink in Markets Across the Country

Months of Supply



Notes: Homes for sale include both new and existing units. Months of supply measure how long it would take homes on the market to sell at the current rate, where 6 months is generally considered a balanced market.
Source: JCHS tabulations of Zillow data.

Home prices in markets that experienced the worst boom-bust cycles are lagging the most relative to past peaks. In the most extreme example, prices in Las Vegas plummeted 61 percent and more than doubled since, but still stand 22 percent below peak. Bakersfield, Cape Coral, and Fresno underwent similarly severe cycles, leaving home prices at least 20 percent below peak.

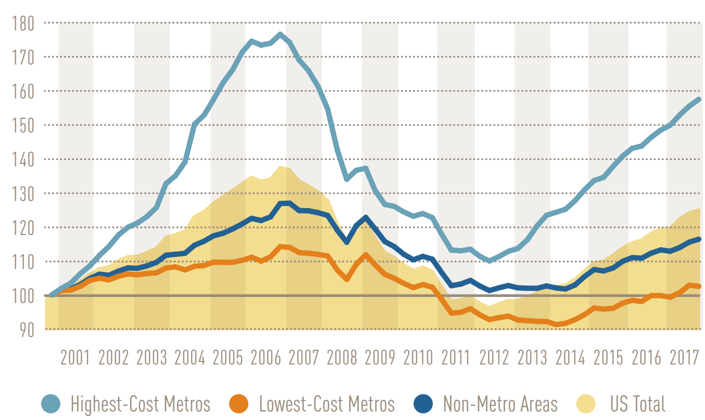
Measured in real terms, home price increases since 2000 have been especially steep in the nation's 10 highest-cost metros (including Boston, New York, San Francisco, and Seattle), where appreciation was an astounding 67 percent **(Figure 12).** In contrast, prices in the 10 lowest-cost metros (including Dayton, El Paso, Memphis, and Syracuse) were up just 3 percent in real terms over this period.

Real home prices in non-metro areas also climbed by a relatively strong 18 percent in 2000–2017. The largest increases were in the non-metro areas of North Dakota (85 percent), Hawaii (69 percent), Montana (52 percent), and South Dakota (45 percent). Moreover, in 19 of the 47 states with non-metro counties, home price appreciation in those areas outpaced statewide increases. Over this period, non-metro home prices declined in only four states—Michigan (down 6 percent), Ohio (6 percent), Connecticut (2 percent), and Indiana (2 percent).

FIGURE 12

Real Home Prices Have Risen in Most Markets Since 2000, But Especially in Highest-Cost Metros

Home Price Index



Notes: Prices are adjusted for inflation using the CPI-U for all items less shelter. Non-metro prices are weighted averages of all state non-metro prices, with each state's value weighted by the share of detached single-family housing units in non-metro areas. Highest- (lowest-) cost metros are the 10 metros with the highest (lowest) median home values in 2017 from Zillow.
Source: JCHS tabulations of the FHFA All-Transactions House Price Index.

GROWING CONCERNS ABOUT AFFORDABILITY

Rising prices have made homes less affordable, particularly at the low end of the market. In 2017, real home prices for the lowest-cost homes (selling for 75 percent or less of the median sales price) were up 6.9 percent—more than twice the 3.3 percent increase in prices for highest-cost homes (selling for at least 125 percent of the median). Between 2000 and 2017, real prices for the nation's lowest-cost units soared nearly 80 percent, compared with 28 percent for highest-cost units.

The runup in prices is most dramatic in the neighborhoods of the nation's highest-cost metro areas. In markets where the median home value was above $250,000 in 2017, home prices appreciated 69 percent on average in lowest-cost neighborhoods and 45 percent in highest-cost neighborhoods in 2012–2017. Although prices in these lowest-cost neighborhoods had dropped sharply after the housing crash, the real median home value ballooned from about $179,000 in 2012 to $297,000 by the end of 2017.

Meanwhile, increases in the median sales price of existing homes have outstripped growth in median household income for six years. As a result, the price of a typical existing home sold in 2017 was more than four times the median income. Among the 100 largest metros, 33 had price-to-income ratios above 4.0, including five with ratios above 8.0 **(Figure 13).**

Topping the list is San Jose, where the median sales price was 10.0 times the median household income, followed closely by Los Angeles (9.5 times), Honolulu (9.2 times), San Francisco (8.9 times), and San Diego (8.1 times). On the flip side, price-to-income ratios were below 3.0 in 25 metro areas last year, including Pittsburgh, Rochester, Syracuse, Toledo, and Wichita. By comparison, nearly three-quarters of large metro areas had price-to-income ratios below 3.0 in 1988, while only 14 metros had ratios over 4.0.

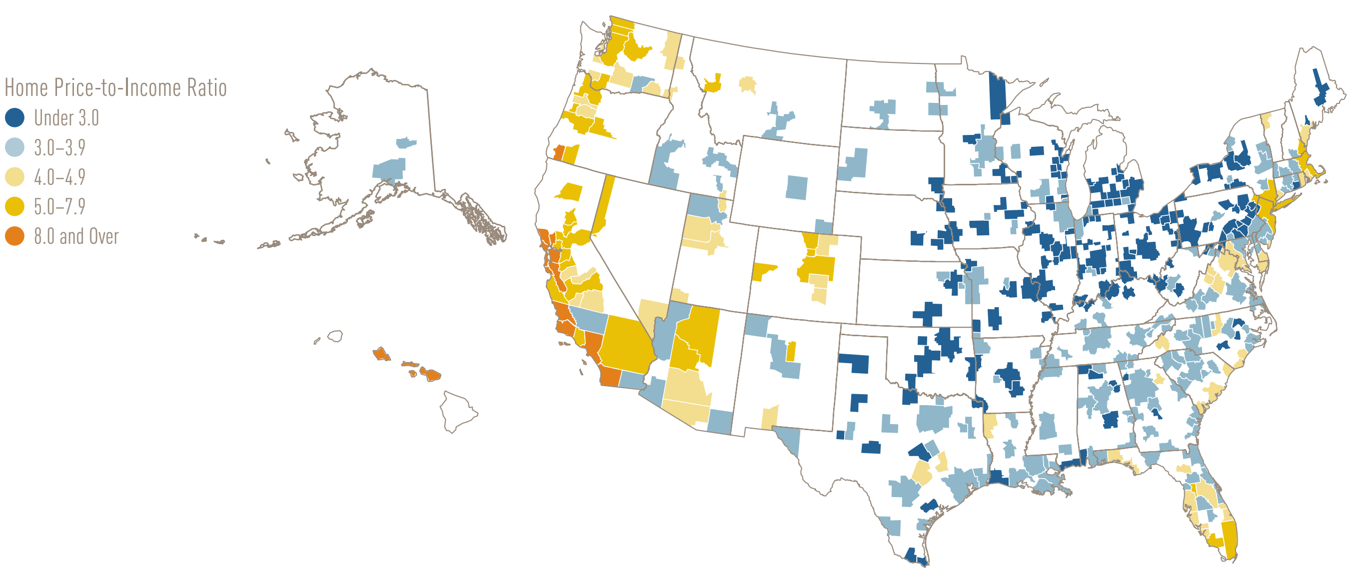
THE OUTLOOK

The housing sector faces significant challenges in the short term. Labor shortages, rising materials costs, limited land availability, and land-use regulations are all holding down growth in new residential construction. Meanwhile, inventories of existing homes for sale are at all-time lows, pushing up prices and making homebuying more difficult, especially for low- and moderate-income households.

Over the medium and longer terms, however, demographic forces will support a pickup in housing construction. The latest Census Bureau projections indicate that the population of 30–44 year olds, the age group most likely to buy new homes, will increase by 8.5 million over the next decade. Of course, the housing preferences of millennials, as well as the decisions that baby boomers make about aging in place, will determine the types and locations of homes demanded. The critical question, however, is whether the home-building industry can supply, and local regulations allow, enough new housing to meet the need for homes affordable to a broad range of households.

FIGURE 13

Median Home Prices in Most Western Metros Are Five Times Greater than Incomes



Note: Home prices are the median sale price of existing homes and incomes are the median household income within markets.
Source: JCHS tabulations of NAR, Metropolitan Median Area Prices, and Moody's Analytics Forecasts.

The Joint Center for Housing Studies of Harvard University advances understanding of housing issues and informs policy. Through its research, education, and public outreach programs, the center helps leaders in government, business, and the civic sectors make decisions that effectively address the needs of cities and communities. Through graduate and executive courses, as well as fellowships and internship opportunities, the Joint Center also trains and inspires the next generation of housing leaders.

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Building a Skagit Housing Affordability Strategy

June 2016 Update

Update of the Interim Report produced in 2012

A project led by
Skagit County Public Health

Called for in Skagit County Board of County Commissioners
Resolution # R20100206

Updated Report from

Paul Schissler, community development planner

On Behalf of

Skagit County Public Health
Jennifer Johnson, Director
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Skagit County Affordable Housing Advisory Committee membership included those listed below appointed by the Skagit County Board of County Commissioners Chairperson Sharon Dillon and Commissioners Ron Wesen and Kenneth A. Dalhstedt on October 18, 2010, in County Commissioner Resolution # R20100351 establishing an Affordable Housing Advisory Committee "…to develop and recommend an affordable housing plan for Skagit County".

The Skagit County Affordable Housing Advisory Committee (SCAHAC) members met periodically through spring of 2013 when a set of recommendations was presented to and accepted by the Skagit County Board of County Commissioners. The SCAHAC recommendations from 2013 appear on pages 22 through 30, below, along with other updated information added in 2016. The SCAHAC members were:

Debra Lancaster, SCAHAC Chairperson and United Way of Skagit County Executive Director

Wayne Crider, Skagit-Island Counties Building Association Executive Director

Kenneth A. Dahlstedt, Skagit County Commissioner

Romeo De La Pena, Samish Indian Nation Planner

John Doyle, LaConner City Administrator and Planning Director

Margaret Fleek, Burlington Planning Department Director

Jana Hanson, Mount Vernon Community and Economic Development Department Director

Bill Henkel, Community Action of Skagit County Executive Director

Jennifer Johnson, Skagit County Public Health Department Director

Ryan Larsen, Anacortes Planning, Community & Economic Development Department Director

Tee McCallum, Anacortes Housing Authority Executive Director

Dan Mitzel, Hansell Mitzel Homes

Gustavo Ramos (later Melanie Corey), Housing Authority of Skagit County Executive Director

Bruce Shellhamer, Crossroads Covenant Church

Tom Theisen, Skagit Council Housing

Gene Van Selus, Salem Village Executive Director

Mike Youngquist, Skagit Valley Farmworker Housing Trust Advisory Council

Table of Contents

Introduction

> *"WHEREAS, there is insufficient affordable housing in Skagit County, and a need for a coordinated and strategic approach to identify strategies to meet those needs in collaboration with all jurisdictions and advocates for affordable housing"*

The ***Skagit County Commissioners' Resolution # R20100206*** started out with that assertion. The Resolution, adopted in July 2010, goes on to establish the charge and membership of a ***Skagit County Affordable Housing Advisory Committee***.

The County Commissioners' Resolution directed the Skagit County Affordable Housing Advisory Committee (SCAHAC) to "***develop and recommend an affordability housing plan for Skagit County***" with a report to the Commissioners that includes recommendations for next steps.

The Commissioners appointed the members of the SCAHAC for the range of viewpoints they brought, representing both the private and public sectors, and both for-profit and nonprofit perspectives. The committee members each have more than one of these four perspectives, and they have years of experience working on issues related to housing and housing affordability in Skagit County.

In 2010, the Skagit region was already implementing housing strategies, with a well-established system of agencies and citizens doing excellent work around the issues of affordability. The Skagit community's challenge has always been to build upon the existing efforts, to accomplish more in the face of the growing need for more homes people can afford. With a few more ingredients, much more is possible.


Wilson Hotel, Anacortes Housing Authority

In 2011, Skagit County asked Paul Schissler to help gather information and options that could add to the good local work already underway. Schissler has over twenty-five years of experience in the field of planning, community development and grantsmanship on behalf of governments and nonprofits. Examples of his work include a wide variety of programs and projects including housing affordability, community facilities, public utility systems and farmland protection.

After taking into account the diverse needs throughout the County and considering the menu of options that might make sense for this region, the SCAHAC produced the countywide housing affordability strategy that was reviewed and accepted by the County Commissioners in mid-2013.

Synopsis of this report: This report describes the housing affordability problem that Skagit is facing, with definitions and rules of thumb that form the basis for estimating the shortage. The second section of this report describes the context of the problem and why the issue of affordability doesn't solve itself without collaborative community effort. Section Three reviews some of the key ingredients that every county needs and then identifies which ingredients are missing or running in short supply. The final section summarizes the SCAHAC recommendations as part of a concerted effort to increase the supply of community housing that people with lower income can afford to lease or own.

Section One: Scale of the affordability problem, or how much more do we need?

Skagit County is much like any other county in Washington, where **the cost of housing is not affordable for many people who live and work in the community**.

Many people who work full-time, as well as others on fixed incomes, spend far too much on housing costs. Working people and families earning lower wages cannot afford the cost of a basic two-bedroom apartment, and many people cannot afford even a one-bedroom or studio apartment. (More on this need, with statistics, in this section, below.)

The Housing Mismatch defined

At the macro level, the lack of affordability is called the ***Housing Mismatch***, meaning that the supply of homes available locally does not match up with the range of incomes earned locally. There is a shortage in the supply of lower cost homes, compared to the supply that is needed by local workers and others who have incomes much lower than the median income. The supply and demand market fails to supply the number of lower cost homes that the community 's residents need.

The Housing Mismatch concept also includes the reality that many homes are occupied by people who cannot afford those homes, and other homes are occupied by people who could afford to be paying more per month for housing. The latter households are fortunate, whereas the former households are struggling to make ends meet. When the latter households move, theoretically they free up less expensive homes for people who need the affordability, in a process called ***filtering***.

If you **think of the range of local housing choices as a spectrum** in terms of cost, type and location, the local spectrum of housing is deficient in the lower cost parts of the housing system. The most significant deficiency is the lack of availability of homes where the price would be affordable for people with very low income or extremely low-income.

Definitions established by U.S. Department of Housing and Urban Development

Extremely low-income	=	income at or below 30 percent of the Area Median Income (AMI)
Very low-income	=	income at or below 50 percent of the AMI
Low-income	=	income at or below 80 percent of AMI
Moderate income	=	income between 80 percent and 95 percent of AMI
Middle income	=	income between 95 percent and 120 percent of AMI

HUD publishes annual updates of Area Median Income (AMI); see table on page 6.

The spectrum of housing options and housing costs in the region does not match the range of incomes in the jobshed. Far from it! According to the U.S. Department of Housing and Urban Development, ***nearly two out of every five households in Skagit County cannot afford the home they occupy*** (37.2 percent, 16,895 out of 45,475 households.) When housing consumes over 30 percent of monthly income, the homes these households occupy are not affordable, leaving less for other basic needs and other household expenses.

Nearly two out of every five households in Skagit County cannot afford the home they occupy.

What is Affordable? What does Affordable mean?

The standard rule of thumb says that when you spend more that 30 percent or about one-third of your income on your housing costs, you are spending an unaffordable amount on housing. Years ago, the rule-of-thumb used to be that a person or family would need only one-quarter of gross income for housing including utilities, back when one income per household was often adequate.

We can contrast that outdated rule of thumb to today's rule of thumb; that is, if you spend more than thirty percent or about one-third of your household's gross income on housing costs, including utilities, your housing is unaffordable. Thousands of Skagit County people and families face this challenge: If your housing costs are more expensive than you can afford, you are forced to cut back on basic needs like food and medical care while you stress about the rent.

According to HUD's analysis of U.S. Census Bureau data, two out of five Skagit households (37.2 percent) spend too much on housing, facing housing costs that do not match their income. If their housing did match their income, they would spend 30 percent or about one-third every month on housing, with money left over for groceries, transportation and child care.

"Affordable" is always defined in terms of income.

70 % of income	*Ideally 70 percent of gross income, or more, is not needed for housing and basic utilities.*	*Every month, the remainder of your take home pay is available for other things, after home costs are all paid.*
30 %	*Roughly one-third pays for your home.*	*Housing + utilities = about 30 percent of gross income.*

How we define "affordable"

People paying over 30 percent of their income for housing have a ***Housing Cost Burden***, and households paying over 50 percent of gross income for housing have a ***Severe Housing Cost Burden.*** If less income got consumed by housing costs, more household income could recycle into the local economy for other things, with a boost of activity for local businesses and the local tax base.

The hard facts: How much do you need to earn to afford an apartment in Skagit County?

It can be helpful to think of housing costs in terms of the minimum wage, the average wage or a ***Housing Wage*** (a wage that makes housing affordable.) According to the U.S. Census American Community Survey (2010-2014) there were 14,914 households in Skagit County that lease or rent their homes, roughly one out of every three Skagit County households. Among these renter households, the estimated mean (average) wage is $11.82 per hour or $24,586 per year if paid full time, 40 hours per week, 52 weeks per year.

This ***Skagit mean renter wage, $11.82***, and the other wage data cited here is based on the U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages 2014 data and the U.S. Census Bureau American Community Survey (2010-2014). Every year, the National Low Income Housing Coalition publishes this data at the county level, called the *Out of Reach* report, showing how out of reach housing costs can be for people with low income. (See more at the Out of Reach website, www.nlihc.org/oor, managed by the National Low Income Housing Coalition.)

If one wage-earner holds a job paying the mean renter wage of $11.82 per hour, that household can afford to spend as much as $615 per month including utilities, using the standard "30 percent for housing" rule of thumb for affordability. That $615 rent would be affordable for someone working full-time at the mean renter wage in Skagit County, a gross income of just over $2,000 per month.

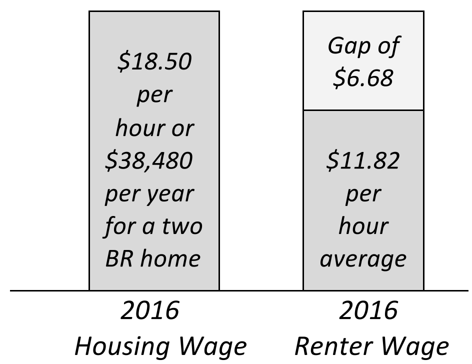
If one wage-earner holds a job paying the minimum wage, a household can afford to spend as much as $492 in monthly rent including utilities. In 2016, the Washington minimum wage is $9.47 per hour or $19,698 per year and $1,641 gross pay per month.

In Skagit County, there are few homes, including apartments, which rent for $615 or less per month. The local housing supply does not match up with the affordable rents that households with lower income can afford. In Skagit County, the Fair Market Rent for a studio/efficiency apartment is $663 per month and a two-bedroom apartment is $962 per month, including enough for basic utilities.

A Skagit renter household needs an income of at least $38,480 per year, equal to $18.50 per hour full-time, in order to afford a two-bedroom rental at the $962 Fair Market Rent. This is known as a ***Housing Wage***, defined as "the estimated full-time hourly wage a household must earn to afford a decent rental at HUD estimated Fair Market Rent while spending no more that 30 percent of their income on housing costs." The *Housing Wage* if you need a three-bedroom apartment is $25.60 per hour full-time, or $53,248 per year, $4,437 each month.

Many jobs pay much less than a *Housing Wage*, and many jobs are less than full-time. In Skagit, for a basic two-bedroom apartment, the gap or shortfall between a full-time Housing Wage and the mean renter wage is $13,894 per year or $6.68 per hour. That's almost $1,200 short each month.

How big is the gap between the Housing Wage and what average renters earn in Skagit County?



-Out of Reach report illustration

A renter earning the minimum wage must work 78 hours per week to afford a two-bedroom rental at the Fair Market Rent of $962 including utilities. Or the renter household needs two people working full-time jobs earning the minimum wage to afford the basic two-bedroom rental cost. To afford a three-bedroom Fair Market Rent of $1,331 including an allowance for utilities, it would take 108 hours per week of paid work earning minimum wage, or almost three full-time jobs.

The mean renter wage in Skagit County, at $11.82, is 25 percent higher than the minimum wage. But it still takes 63 hours per week at the mean renter wage to afford a two-bedroom apartment, and 87 hours per week, or two people working more than full-time at the mean renter wage, to afford the three-bedroom apartment fair market rent. Grim reality for many who work in Skagit County.

	Skagit County's HUD 2016 Income Limits Gross annual income, adjusted for household size								
% AMI	Household size =	1	2	3	4	5	6	7	8
< 30 %	Extremely low-income	13,650	15,600	17,550	19,450	21,050	22,600	24,150	27,500
< 50 %	Very low-income	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800
< 80 %	Low-income	36,300	41,500	46,700	51,850	56,000	60,150	64,300	68,450

How many people in Skagit County need affordable housing?

According to U.S. Census American Community Survey (2010-2014), a total of 17,535 of 45,309 Skagit County households, just under 40 percent, are cost burdened, spending over 30 percent for housing.

The American Community Survey also reports that, for households with incomes of less than $20,000 per year, 5,527 out of 6,479 households (or 85 percent) pay more than 30 percent of their income for housing, by definition, cost burdened.


Hillsview, Sedro-Woolley Housing Authority

Among the households in Skagit County with income up to $50,000 per year, 13,230 of these 19,528 households (or 68 percent) pay more than 30 percent of their income for housing every month, cost burdened with unaffordable homes.

When housing is not affordable, households have to balance housing costs against other household expenses for food, transportation, health care, insurance, etc. in order to make ends meet. Savings and emergency funds might be nominal or nonexistent, putting households at risk of losing their housing. Loss of a job or health insurance, or missing a few paychecks, can result in homelessness.

When well over half of Skagit County households earning less than $50,000 have unaffordable housing costs every month, it is a wonder that more Skagit residents do not end up homeless.

What do the trends indicate about the future affordable housing needs?

At least an additional 5,404 households can be expected to need affordable homes by 2036, based on current demographic patterns and projected Skagit population growth over a 20-year growth period. Here's the math:


Evergreen Manor, Mercy Housing Northwest

Skagit County jurisdictions have been planning for a population increase of roughly 35,751 people from 2015 to 2036, from 119,701 in 2015 to 155,452 in 2036. The average household size, currently 2.56 persons, tells us that we need to plan for 13,965 additional homes to accommodate the increasing population, an increase of almost 700 homes needed each year, on average. Households are trending to be smaller over time, so 700 homes per year likely underestimates the real need.

According to the statistics in the HUD Comprehensive Housing Affordability Strategy (CHAS), 38.7 percent of all Skagit households are low income (at or below 80 percent of the Area Median Income (AMI)) and 10.1 percent have extremely low-incomes (below 30 percent of AMI.) If these percentages remain the same in the future, 38.7 percent of 13,965 future homes (or 5,404 homes) need to be affordable in the low-income range. That translates to approximately 270 of the 700 homes built each year that need to be affordable to households with low-incomes, at or below 80 percent AMI. Of the 700 homes to be built per year, an estimated 10.1 percent (or 71 homes per year) need to be affordable for people with extremely low-incomes. Currently, few homes in that affordable range are added each year, so the community is falling further behind as the need grows.

What is the Total of Current Need plus the Projected Need?

To get an estimate of the total need, we add the existing need for more affordable homes in Skagit County to the projected need derived from the increasing population of people with low incomes.

As we noted above, data from two sources concluded that around 17,535 households in the County are already paying more than they can afford, which is a financial hardship for these households, which has negative ripple effects throughout the local economy.

How Many New Homes Need to be Affordable at Various Income Levels Per Year to Meet Projected Growth?

0-30% AMI: 10.1% or 71 homes

30-50%AMI: 11% or 77 homes

50-80% AMI: 17.7% or 124 homes

In addition, we estimated that 5,404 households with low-incomes will be added to the County by 2036 and all of these households will face a challenging time finding housing they can afford.

The sum of these estimates (17,535 plus 5,404) tells us that 22,939 homes affordable at less than 80 percent of the area median income will be needed between 2015 and 2036. That equals 1,147 affordable homes every year needed to catch up and meet the estimated total need by 2036. These numbers tell us where to aim for the appropriate scale of a reasonably complete remedy.

This number includes the current need, but misses the impact of net loss. Many relatively affordable homes are at risk of becoming unaffordable. Rent increases on market-rate homes make those homes more unaffordable for the households with low income that lease them. Without net loss being added, 1,147 more homes per year is an underestimate of the County's real need.

Current need	*17,535 homes*
Plus projected need	*5,404 homes*
Total need	*22,939 homes*
Need per year	*1,147 homes*

There are three main options for meeting this need: making existing homes more affordable, building new homes that match the available jobs and incomes, or increasing household wages for lower-wage workers until housing costs are affordable.

The community has some say about all three options, although the third option is new territory for most thinkers. The other two options are more familiar: funding and policy options that create and preserve affordability for those who cannot otherwise afford the home they need.

Community discussions are underway about where and how more homes can be made more affordable. The total need is formidable, and the number of homes needed per year is staggering. What can be done about the 17,535 Skagit households now living with unaffordable housing costs? How can the region possibly address the projected growth that will require 270 more homes per year affordable to workers with lower wages, with at least 71 or more homes per year affordable for people with extremely low income?

Even if the calculations above are off by a wide margin, the numbers will still be daunting. Currently, the capacity, funding and policies are insufficient to address a problem of this size. In recent times, subsidies and incentives have allowed mission-driven developers to produce only a small fraction of the affordable homes that were needed.

Even if these calculations above are off by a wide margin, the numbers are still quite high and can be daunting.

On the flip side of that challenge, if additional resources, grants and loans become available, community capacity can grow to meet the challenge of producing many more affordable homes per year.

Local governments and community efforts have the capacity to influence and increase affordability. The challenge is assembling the ingredients to make more affordability happen. Section Three below talks about the essential ingredients and what else could be added to increase production. First, though, Section Two lays out some of the factors that will affect any housing strategy.

Section Two: the components of a strategy and the issues to factor in

A Skagit area strategy for creating more housing affordability starts with the ground rules and patterns that are already in place. Looking back over the last 20 years, there are at least a dozen key points that will factor into an evolving strategy for creating more homes people can afford.

1. **Urgent Need Far Exceeds Production Capacity** If the Skagit area had far more funding and proactive public policies, how could the Skagit area add 1,129 or more homes per year to the supply of homes affordable at or well below 80 percent of the area median income?

   The scale of the problem is an order of magnitude above what the current policies and funding can produce in a good year. Radical solutions might be needed but, in the meantime, tried and true methods could produce or preserve 100 or more homes per year, growing the local supply of community housing that remains affordable for people with low income.

Salem Village, Mount Vernon

   If the region can add proactive policies and more funding to the mix, the pace of production will increase, starting with the existing network of private and public agencies that focus on affordability, with room for additional agencies and private contractors to help boost local production capacity. The scale of the need creates a vacuum that calls for solutions.

2. **Choose Dollars and/or Policy** Communities and municipalities have two powerful choices when it comes to addressing the affordable housing shortage: policy and funding.

   Public policy choices and/or more funding will result in increased production and preservation of homes affordable for people whose incomes are relatively low.

   The private sector on its own cannot afford to produce or offer an adequate supply of homes at costs that would be affordable to people with very low income. According to the data, for decades the private sector has been unable to supply lower cost housing without the help of the public sector, sometimes with a boost from philanthropy and the faith-based community.

Skagit Habitat for Humanity

   The best available remedies call for a combination of the private sector's capacity to build and manage housing with the public sector's capacity to create policies and funding that encourage, incentivize and subsidize the private sector. One without the other will not work. Each can call on the other to do more and as much as possible, while offering to do the same; that is, as much as possible in return. Public policy offers are essential if that dynamic is to work.

3. **Small Money Turns into Big Money** Each layer of funding is essential, and small amounts make big things possible. An innovation to find 10 percent of a project's financing will leverage 10 times that amount in total spending on housing construction and housing preservation.

   The federal Low Income Housing Tax Credit program illustrates this point. When a developer wants to compete for Low Income Housing Tax Credits, the project must show a commitment of other matching funds. If the project has local funds or a Washington Housing Trust Fund commitment, it has much better odds of securing over half the project's funding from Tax Credits. The local match can make a multi-million dollar construction project feasible.

   Early local investments in planning and predevelopment and early commitments of construction funding will leverage other private and public funds for construction and operating costs. Conversely, without the seed money and early commitments, projects will never attract the big money that makes them feasible.

   County and city governments, working with mission-driven developers, can get more projects started and ready for big money.

Villa Santa Maria, Catholic Housing Services

4. **Make Dollars Do Double Duty** Smart public policy looks for ways that public expenditures or investments can do double duty and/or provide recurring benefits for a long period of time. Bricks and mortar investments in affordable housing create ongoing, good paying jobs and produce public revenue during construction, while also providing ongoing, measurable benefits for the residents and the community for as long as the homes remain affordable.

   As an example, Skagit County is experimenting with a concept that has public funding doing more than double duty: RCW 82.14.370 sales and use tax funding can be used as an investment in public infrastructure linked to the construction of affordable homes. First, the funds pay for impact fees and utility hookup fees, often a significant cost of housing construction. Next, the cities use the same payments for capital projects. This economic development strategy has other layers of benefit, in addition to the public funds being used at least two times.

5. **Dollars from the Voters** Voters in the cities of Seattle and Bellingham have approved ballot measures that call for a property tax levy lid lift to fund housing affordability. These two votes generate approximately twenty million and three million dollars, respectively, on an annual basis. Other communities around the country are using property taxes and other sources of dedicated revenue in order to expand community housing supplies.

La Casa de Santa Rosa, Catholic Housing Services

6. **Strategies Can Be Regional** It is better if regional solutions can be implemented. Small cities and local organizations can be strong allies if regional strategies make sense.

   Housing affordability problems tend to be similar throughout the region, and similar solutions might make sense in several places at once, with economies of scale and cost savings from efficient implementation.

   For the Skagit County area, it makes sense to consider three- and four-county strategies that can build the momentum for housing affordability efforts throughout the region and, as we report below, can qualify the region for additional, nonlocal funding.

7. **Better Distribution to Fix the Housing Mismatch** Each jobshed needs homes affordable for its work force and its particular mix of incomes.

   Each community can aim for a spectrum of housing that matches the needs of its work force, keeping in mind that 35 to 40 percent or more of all households will have low incomes, and many households will have incomes well below 80 percent of the area median income.

8. **Regional Policy with Local Impacts** The RCW 82.14.370 funding described above is an example of a regional program with local impacts. The regional funding offers to make construction more affordable inside cities and towns, offsetting or counterbalancing the utility charges and impact fees that can be a cost hurdle in an urban growth area.

This regional policy and funding strategy has its biggest impacts at the local jurisdictional level, incentivizing affordable housing construction without cities giving up on impact fees and utility charges.

The program helps to assure that homes are built closer to jobs, schools, shops and services. It is better for families, society and the environment if people can afford to live close to where they work. It also fits with the growing awareness about the impact of location on housing costs, a concept labeled the *Housing+Transportation Affordability Index.* This is a more complete measure of affordability, ideally with combined housing plus transportation costs taking up no more than 45 percent of gross monthly income.

9. **A mini-ARCH in the Future?** A Regional Coalition for Housing (ARCH) serves sixteen municipalities in East King County, with pooled funding and a regional allocation system that supports a queue of affordable housing construction projects at appropriate locations, close to jobs and services.

   ARCH also provides expert assistance to jurisdictions and local organizations, helps to develop and implement housing policies and programs, and encourages community involvement and leadership in affordable housing issues.

   Skagit's towns and cities could consider a similar, coordinated approach, perhaps in collaboration with other members of the Skagit County Consortium.

Harbor House, Anacortes Housing Authority

10. **Conversion Instead of New Construction?** A large percentage of Skagit area homes are currently unaffordable for their occupants. The data indicate more than one-third of all Skagit households (at just under 40 percent, that's closer to two out of every five) are paying an unaffordable amount, more than 30 percent of monthly income, for housing.

    If more of these existing homes could be made more affordable, through HUD Housing Choice Vouchers, local rent assistance, a change in ownership motives, or other means, these homes would become affordable, scattered throughout existing neighborhoods.

    The strategies in Section Four below include the prospect of converting existing homes to a more affordable price for thousands of households with low incomes.

11. **Twenty years is a short time** It is good public policy to require, whenever possible, longer-term affordability rather than allowing affordability to end. Most public funding programs, including HUD, USDA and the IRS Low Income Housing Tax Credit programs, have allowed the affordability requirements to end after a limited number of years.

Some programs, like community land trusts and the updated Low Income Housing Tax Credit program, are designed to require or encourage the longest possible period of affordability. Incentivizing long-term affordability is good policy, but some older programs had limits as short as fifteen years.

Alpine Ridge, Mount Vernon

Public funded programs can be designed to incentivize or require more years of benefit. For example, public funding can be invested in the form of a recoverable grant or deferred loan that remains invested for as long as the homes remain affordable for people with low income. This form of investment allows the public sector the option of incentivizing longer-term affordability and gaining extra years of measurable benefit while simultaneously allowing the option of recapturing public investments if the homes come out of an affordability program. The public funder can off-load the stewardship/monitoring role to a community housing partner after the public funding's compliance terms are met.

12. **Competitive Advantage for Workforce Stability** Another outcome of housing as an economic development strategy is an improved competitive advantage in the business world. There is a ***Housing+Transportation Affordability*** issue that increasingly factors into workers' and businesses' decisions about staying or relocating.

Affordability depends on location, and transportation costs can negate the benefit of lower housing costs if you spend too much money and time commuting to work, shops and services. The Center for Neighborhood Technology (www.htaindex.cnt.org) has mapped the affordability of neighborhoods throughout the U.S. and recommends a new rule of thumb: no more than 45 percent of monthly income spent on housing and transportation. Spending more than 45 percent of gross income is not affordable.

Businesses need a work force that can afford to stay, and a healthy supply of affordable housing is crucial. Ideally, workers' homes should be close to their jobs because lower transportation costs factor into what is affordable, especially when wages are low.

Few places have this competitive advantage; thus, a community is smart to increase the number of homes that its many jobholders can afford, even if wages are low.

The President, Housing Authority of Skagit

SHIFTING GEARS: HOUSING AFFORDABILITY IS ECONOMIC DEVELOPMENT

Ripple effects make housing affordability an important part of local economic development strategies. Investing in housing affordability ripples through the economy, with short-term multipliers measured in terms of jobs and spending, and with long-term implications for the health of the local economy and the stability of the local work force.

The role of housing affordability in economic development can become a motivating force for more concentrated efforts by the private and public sectors. Along with the highlights on the following three pages, research reports are accumulating that document the direct and significant impacts on the economy. For example, the Center for Housing Policy sums up the findings of the National Association of Home Builders, Urban Land Institute and others, compiled into the 20-page report, *The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature.*

Among the impacts of housing affordability on jobs and economic development, we can list:

a) **ON-GOING JOBS IN CONSTRUCTION** Housing projects will spur job growth, with skilled jobs that will help revitalize the local economy, especially in the hard-hit real-estate sector and the construction trades.

   The National Association of Home Builders estimates that 120 jobs or more are created during the construction of 100 apartments funded by the Low-Income Housing Tax Credit program, in addition to roughly 30 on-going jobs in other sectors after the 100 homes are finished and occupied.

   These jobs in construction and related fields will be permanent, not temporary, if the region can establish a local financing system for a continuous, annual queue of affordable housing construction. The need and the demand for housing are huge; the biggest missing ingredients are adequate funding and supportive policies.

Milwaukee Park Apartments, Compass Health

   Note, too, that construction jobs often pay a Housing Wage or higher—the kinds of jobs every community wants.

b) **BUILDING A SKILLED, STABLE WORK FORCE** Housing affordability is an investment in the local work force. A healthy economy depends on a stable, skilled labor force, with workers who can afford to stay in their jobs because they can afford a home nearby.

   Investing in a stable work force means less spent on employee turnover, on employee recruitment and training expenses, and on the loss of productivity or loss of quality that can result from higher employee turnover. Instead, local employers benefit from the higher productivity of more experienced, reliable workers.

   This stable labor force issue is especially acute in certain economic sectors, including health care, agriculture and the education sectors, where many essential, skilled employees earn incomes that are well below the median and, therefore, too low to afford market-priced housing for themselves or their families.

LaVenture Workforce Housing

Many thousands of these modest-wage jobs are essential to the local economy and will never be off-shored. It's likely that these jobs will always be paid less than a Housing Wage unless something revolutionary happens. Some of these jobs, such as early childhood care and education, will likely be paid wages well below the Housing Wage, in spite of early childhood care being among the most important and valued jobs in any community. The whole community is better off if qualified, dedicated workers can afford the jobs they love.

c) **HOUSING IS INFRASTRUCTURE FOR THE ECONOMY** There are physical components that support a healthy economy, and housing is an essential component of a healthy economic infrastructure. Housing for the work force is just as important as a water supply or a good transportation system.

Like other parts of the community's infrastructure, the community's homes are a long-term capital asset. The smart use of public policy and funding can increase the community's enduring capital of affordable homes, bringing the supply closer to what the needs actually are, given the realities of the local jobs and work force.

Raspberry Ridge, Housing Authority of Skagit

Longer-term, each community needs to build up the number of affordable homes available within the economic infrastructure that serves its local area, or jobshed.

d) **HOUSING PRODUCES PUBLIC REVENUE** Construction of new homes and renovation of existing homes produces immediate income for state and local governments. In Washington State, the revenue includes sales tax for building materials during construction and from the ongoing spending of residents; charges for permitting and impact fees; utility hook-up fees and monthly revenue from utility customers, and on-going property and utility tax revenue.

Affordable housing usually takes an urban form, with a higher number of homes per acre. This translates into higher property values per acre and therefore higher property tax revenue per acre. When combined with the other on-going revenue (like sales tax, utility rates, fuel tax, etc.) from the economic activity of that higher number of people per acre, urban affordable housing makes more fiscal sense than lower-density development.

After construction of new affordable home projects, the property values and tax revenue from surrounding properties may also increase. According to research results compiled by the Center for Housing Policy in 2009, "Overall, the research suggests that neighbors should have little to fear from the type of attractive and modestly sized developments that constitute the bulk of newly produced affordable housing today." A six-page summary of the research is titled, *Does Affordable Housing Cause Nearby Property Values to Decline?*

e) **THE DOUBLE MULTIPLIER EFFECT** For a broader economy-wide impact, investing in housing for the work force will have a double multiplier effect.

The first multiplier effect compounds the local public investment by five to ten times; that is, construction spending will be five to ten times or more the amount of local public funding.

> Affordable housing projects must compete for funding, and local funds get the cascade of matching funds rolling, picking up layers of state, federal and private matching funds.
>
> The second multiplier effect results from construction spending rippling throughout the overall economy, creating three or more times the local economic impact of the construction spending.
>
> Therefore, conservatively estimated, each $1,000,000 in local funding invested in housing affordability will create $5,000,000 to $10,000,000 in construction activity, and an overall impact of $15,000,000 to $30,000,000 or more in local economic activity. Seldom will local funding leverage that much additional spending nor have as large a multiplier effect.

Other economic arguments can be added to the five listed above. Other sources, such as the 2011 report from the Center for Housing Policy titled *The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature,* summarize the data from a long list of studies that confirm the relationship between affordability and economic development.

MAKING HOUSING WAGE JOBS OUT OF LOW-WAGE JOBS, INSTANTLY

The community can convert a lower wage job into a Housing Wage job by making housing costs affordable.

This insight, conceived by Ferndale City Administrator Greg Young, provides a helpful illustration of how powerful affordability can be, for both the worker and for the overall economy.

When the infrastructure of the community can offer homes that working people can afford, workers have money left over for groceries, transportation and child care.

Converting a mean renters wage job into a Housing Wage job is equal to $4,000 or more in local spending per worker per year

Workers can afford to stay in their jobs if their community offers homes with costs that match the incomes earned. If a worker's housing costs are affordable, the worker's job has become a Housing Wage job (a wage that makes housing affordable.)

When we do the math based on Skagit County wages and prices, we show the powerful impact of turning a low wage job into a Housing Wage job. When housing costs are affordable, workers can achieve a better standard of living, freeing up some of their monthly income to contribute to the prosperity of the local economy.

In Skagit County, the Housing Wage for a two-bedroom apartment is $19.00 per hour, and the mean renters wage is $11.91 per hour, for a difference of $7.09 per hour. (Pages 5 and 6 above explained how these two wage numbers were derived.)

If the community can somehow offer an affordable home to a mean renters wage worker (affordable would have that worker spending no more the $620 per month including utilities,) the affordable rent makes the mean renters wage feel like a Housing Wage to the worker; that is, $11.91 per hour feels like earning $19.00 per hour.

Annually, that adds up to more than $4,000 a year if working full-time. When the mean renters wage worker is paying an affordable rent ($620 with utilities) instead of paying an unaffordable rent ($988 including utilities for the same two-bedroom apartment), that worker has over $4,000 ($368 x 12 months) in income freed up each year for other basic needs and a few extras. For a three-bedroom apartment (Fair Market Rent of $1,387), the mean renters wage worker has over $9,000 ($767 x 12 months) per year for other expenses.

The whole economy benefits because $4,000 to $9,000 or more annually per working family can be spent on other things, not consumed by an unaffordable monthly housing cost.

If this conceptualization of the impact of affordability is reasonable, the overall impact on the economy is huge and annual. There's a local economic impact of $4,000 to $9,000 or more from each home that becomes affordable. For every 100 homes, $4,000 to $9,000 per home multiplied by the 100 homes equals $400,000 to $900,000 or more per year of local impact, year after year.

One more affordable home = $4,000 to $9,000 or more every year a family can spend each year

One hundred affordable homes = $400,000 to $900,000 or more every year in economic activity

One thousand affordable homes = $4,000,000 to $9,000,000 every year for other things, not housing

The workers who need affordable housing are already here, working in jobs and industries that pay low wages. Many of these lower wage local jobs are in health care, the agricultural economy and education sectors. These jobs are vital to the economic health of the community.

These jobs will be part of the local economy long-term, so it makes sense to plan and build an infrastructure of community housing that matches the local economy.

Section Three: What are the three essential ingredients and what's missing?

Skagit County has many of the key ingredients needed to produce more housing affordability: mission-driven housing agencies, private sector builders and suppliers, willing lenders, professionals in architecture, engineering and housing finance, and municipal plans and policies that recognize the need for more homes local people can afford. Additionally, Skagit County offers a limited amount of federal, state, and local funding to housing agencies.

If the region can add a few more ingredients, more progress will be possible. Essentially, there are only three types of ingredients: funding, policy and capacity. Let's look at each of the three:

Funding Options

Public funding options are limited in Washington, and local officials get to decide which ones to use for housing affordability. This section reviews the options available at the local level.

In contrast, federal and state funding policies and appropriations are controlled in distant places less responsive to local influence, although the Skagit community can tap into that nonlocal funding to augment local sources of revenue.

To repeat a point made in Section 2 above, small amounts of money turn into big money: Each layer of funding is essential, and small amounts make big things possible. Finding or innovating another revenue stream to help with a project's costs can leverage ten times that amount, or more, in total spending on housing construction and preservation.

Could one or more of the following be the source of that powerful ten percent?

Here is the range of public funding options under local control that could be or are being used in Skagit County.

Local funding options: First, a menu of the local revenue options for housing affordability:

A. Municipal general funds can be used for housing affordable to people with low income.[1]

B. Real Estate Property Tax, with a levy lid lift as authorized by RCW 84.52.043 and 84.52.105. The former counts toward the maximum levy rate and can be used to assist with homes affordable at up to 80 percent of AMI. The latter does not count toward the maximum levy rate and can be used to assist housing affordable at up to 50 percent of AMI (more on this in Section 4, below).

C. Distressed/Rural Sales and Use Tax, authorized by RCW 82.14.370, sometimes called "Point Oh Nine" funding, which can only be used for publicly owned facilities and can be used to pay impact fees and utility hook-up charges associated with affordable housing construction projects (more on this in Section 4, below). Skagit County recently authorized the use of these funds for affordable housing projects.

D. Real Estate Excise Tax (REET) cannot, unless state law is changed, be spent directly on housing affordability but could be used for off-site infrastructure for areas that could accommodate affordable housing development.

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[1] *Readers may already be familiar with the issue of whether public funding may assist with housing affordability and how to address the provision in the Washington State Constitution at Article 8, Section 7 which says "No county, city, town or other municipal corporation shall hereinafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and the infirm…"*

This issue has been addressed by the Washington State Legislature and case law which authorizes towns, cities
This issue has been addressed by the Washington State Legislature and case law which authorizes towns, cities
and counties, as a measure of "support of the poor," to assist in low-income housing with loans or grants to owners or developers of such affordable housing. WA State statutes also refer to the same income standard used with many federal affordable housing programs, that is, gross household income at or below 80 percent of the area median income (AMI) adjusted for household size, relying on HUD's annual published AMI standards.

E. Utility Tax Surcharges that could be linked as revenue for affordable housing, although utility taxes are unrestricted general funds.

F. Cash in-Lieu Payments if incentive zoning or inclusionary housing policies are adopted with in-lieu payments as an option.

G. Sale of land that is publicly owned but surplus to public needs, although the proceeds from the property sales may not be unrestricted general funds.

H. Business and Occupation Tax increase devoted to housing, although B&O taxes are unrestricted general funds.

I. General Obligation Bonds, either councilmanic or voter-approved like Seattle's senior housing bond issue in 1981 that preceded its subsequent four voter-approved housing levies (repayment of bonds from general funds would put this option in competition with other priorities for use of the general fund).

J. Document Recording Fees, also known as 2060 and 2163 Funds, with allowable uses set by state statute and restricted to affordable housing uses and already making a big impact locally.

K. Community Development Block Grant funding, as an annual entitlement received by Anacortes and Mount Vernon for use within those two cities and competitively available to other cities and towns. (CDBG qualifies as local funding under some circumstances.)

Nonlocal funding options: Local housing affordability projects may be able to use nonlocal funding sources already familiar to Skagit nonprofit developers:

L. **Community Development Block Grant** funding as competitive grants from the WA Department of Commerce of up to $750,000 for construction projects and up to $24,000 for CDBG Planning-Only projects, www.commerce.wa.gov/cdbg

M. **WA Housing Trust Fund** funding as grants and loans, much reduced from a peak in 2009-2011, but hopefully to rebound, commerce.wa.gov/Programs/housing/TrustFund/Pages/default.aspx

N. **Federal Low Income Housing Tax Credits**, private sector investments for affordable rental housing construction, www.wshfc.org/mhcf/index.htm

O. **Multifamily Housing Bonds** also offered through the WA Housing Finance Commission that also manages the LIHTC program, www.wshfc.org/mhcf/BondsOnly8020/index.htm

P. **USDA Section 502 Mortgages** used by Whatcom Skagit Housing and directly by individuals, www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans

Q. **Skagit County Consortium,** with an annual federal HOME Investment Partnerships Program grant to a consortium of 19 Skagit, Whatcom and Island County municipalities, www.hudexchange.info/home/topics/consortia/

R. **HUD Section 202 Supportive Housing for the Elderly Program**, although the annual appropriations for this program have been much too slim and extremely competitive, portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc/eld202

Policy Options – Low Cost and No Cost Choices

There are many "no cost/low cost" policy options that municipalities can consider. Policies that incentivize or require housing affordability at appropriate locations can have the multiplier effects noted above, leveraging other funding and stimulating the local economy.

Many policy options have been included in the Comprehensive Plans that have been adopted by Skagit County jurisdictions, each of which has a Housing Element as required by the WA Growth Management Act (GMA). The GMA statute's planning goals require that comprehensive plans and implementing programs and regulations must:

> *"Encourage the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock." - RCW 36.70A.020*

In Skagit County, the Countywide Planning Policies (CPPs) provide a framework for Comprehensive Plan housing elements:

- ✓ Local governments shall allow for an adequate supply of land use options to provide for a wide variety of incomes, housing types, and densities. (CPP 4.1)
- ✓ Public/private partnerships shall be encouraged to build affordable housing and devise incentives for innovative and environmentally sensitive design to meet the housing needs of people with low and moderate incomes and special needs populations. (CPP 4.2)
- ✓ The Comprehensive Plan should support innovative land use management techniques, including, but not limited to, density bonuses, cluster housing, planned unit developments and the transfer of development rights. (CPP 4.3)
- ✓ The existing affordable housing stock should be maintained and efforts to rehabilitate older and substandard housing, which are otherwise consistent with comprehensive plan policies, should be encouraged. (CPP 4.4)
- ✓ The construction of housing that promotes innovative, energy efficient and less expensive building technologies shall be encouraged. (CPP 4.5)
- ✓ Comprehensive Plan provisions for the location of residential development shall be made in a manner consistent with protecting natural resource lands, aquatic resources, and critical areas. (CPP 4.6)
- ✓ Manufactured home parks shall be allowed only within urban or urban growth boundary areas. (CPP 4.7)

Starting from this CPP framework, Comprehensive Plans throughout the County have housing chapters that include goals, objectives and policies that encourage affordability, rely on cooperation, and in some instances call for regulatory code changes that will enable, incentivize or promote housing affordable for people with low income. Among the common themes in the housing chapters are ideas that can increase the production and preservation of affordable homes, including:

- ✓ Allowing and encouraging smaller residential lots, lot size averaging, clustering, accessory dwelling units, attached housing, mixed uses in appropriate areas, and other means to increase the number of homes per acre,

- ✓ Finding funding for and/or reducing the costs of development, including fee reductions or fee waivers,
- ✓ Expediting permitting for projects affordable for people with low income,
- ✓ Providing an adequate supply of land suitable for affordable homes,
- ✓ Offering incentives such as density bonuses and flexible design standards,
- ✓ Establishing minimum densities in new residential developments,
- ✓ Implementing incentive zoning or inclusionary housing policies, either broadly applied or linked to rezone and annexation decisions that increase land value,
- ✓ Establishing annual performance measures to determine how well the region is meeting the projected need,
- ✓ Creating an incentive zone that offers a property tax exemption for up to twelve years for multifamily housing developments that include relatively affordable apartments or condos,
- ✓ Offer underutilized or surplus publicly-owned properties for affordable housing development or mixed-use and/or mixed income development, and
- ✓ Preserving manufactured housing communities (mobile home parks) when suitably located.

Each jurisdiction can play a proactive role in creating housing affordability that matches the incomes and jobs in its sphere of influence. Each jurisdiction can do three key policy-related things:

1. Implement from the menu of ideas that were compiled into its Comp Plan housing element,
2. Allocate local funding to incentivize affordable housing or to cover impact and utility fees, and
3. Collaborate with other local jurisdictions on regional policy and funding strategies.

The Third Ingredient: Local Capacity

In addition to funding and public policy, the third essential ingredient for the creation of affordable housing is the local capacity to plan, develop, own and manage the properties that make up the community housing infrastructure. Fortunately, the Skagit County area has well-established organizations that have proven themselves capable.

Among the local agencies involved in producing homes for people with low-income, one can list:

Housing Authority of Skagit County	www.skagitcountyha.org
Sedro-Woolley Housing Authority	www.sedrowoolleyha.org
Anacortes Housing Authority	www.anacorteshousing.com
Skagit County Community Action Agency	www.communityactionskagit.org
Home Trust of Skagit	www.hometrustofskagit.org
Skagit Habitat for Humanity	www.skagithabitat.com
Skagit Council Housing	www.salemvillage.org
Upper Skagit Housing Authority	
Swinomish Housing Authority	www.swinomish.org
Samish Indian Nation Housing Department	www.samishtribe.nsn.us
Whatcom Skagit Housing	www.whatcomskagithousing.com

Parkview Services	www.parkviewservices.org
Pioneer Human Services	www.pioneerhumanservices.org/housing/
Catholic Housing Services	www.ccsww.org
Mercy Housing Northwest	www.mercyhousing.org
Compass Health	www.compasshealth.org

Section Four: Next steps for what we can do to improve the situation

First, to summarize the prior sections of this report:

Section One: The Skagit region has a large and growing need for homes people can afford, especially for people with incomes below 80 percent of the area median income.

Section Two: The issues around affordability are complex and exert a huge impact on the local economy and on people who do not have homes they can afford.

Section Three: To do more to address the problem, the Skagit area has most of the essential ingredients (great organizations, supportive public policies, some funding), but additional ingredients could be added to the mix.

What next steps might improve the situation? Here are a few to consider:

POLICY CHOICES:

Each jurisdiction has already adopted Comprehensive Plan goals, policies and recommendations for action, and many of these recommendations are ready and waiting to be implemented.

The Comprehensive Plans include an appealing menu of policy options, including:

- ✓ Allowing and encouraging smaller residential lots, lot size averaging, clustering, accessory dwelling units, attached housing, mixed uses in appropriate areas, and other means to increase the number of homes per acre,
- ✓ Finding funding for and/or reducing the costs of development, including fee reductions or fee waivers, surplus of underutilized, publicly-owned land suitable for housing,
- ✓ Expediting permitting for projects affordable for people with low income,
- ✓ Providing an adequate supply of land suitable for affordable homes,
- ✓ Offering incentives such as density bonuses and flexible design standards,
- ✓ Establishing minimum densities in new residential developments,
- ✓ Implementing incentive zoning or inclusionary housing policies, either broadly applied or linked to rezone decisions and annexation decisions that increase land values,
- ✓ Establishing annual performance measures to determine how well the region is meeting the projected need.

> **Recommendation 1**: By implementing the Comprehensive Plans, each jurisdiction will play a proactive role in creating housing affordability that matches the incomes and jobs in its sphere of influence.

NONLOCAL FUNDING CHOICES:

In the past, Skagit organizations have done well securing nonlocal sources of investment for affordable housing construction and preservation including, for example, from the WA Housing Trust Fund, the WA State Housing Finance Commission, USDA Rural Development, and from the federal Community Development Block Grant Program.

These nonlocal funding sources have not grown to keep pace with the growing need, and all of them are extremely competitive. In spite of that competitive and shrinking resource base, Skagit organizations can continue to pursue and secure nonlocal funding.

> **Recommendation 2**: Be ready for the competitive opportunities for nonlocal funding as those opportunities recur or new opportunities emerge, and have a steady stream of housing projects on the drawing boards, getting ready to proceed when funding becomes available.

Pursuing underutilized nonlocal funding sources:

<u>Community Development Block Grant General Purpose Grant Program</u> The WA CDBG Program can support housing projects throughout the County except inside the city limits of Anacortes and Mount Vernon (both of which receive an annual *entitlement* grant of CDBG funds.)

Each year, Skagit County and/or the smaller cities within the County can apply for up to $750,000 in CDBG General Purpose Grant Program funding for projects that principally benefit people with low income. (See page 4 and 6 of this report for CDBG low-income definitions and income limits.)

Skagit County recently applied for and was awarded a $750,000 in CDBG funds by the WA Department of Commerce for a Homeownership Assistance Project. Non-profit housing developers will use the funds to provide downpayment assistance to homebuyers with moderate to low incomes. This project is a regional effort, able to assist income-qualified homebuyers in Skagit, Island and Whatcom Counties.

The annual competition administered by the WA Department of Commerce has a June deadline, and the WA Commerce policies and process allow a potential applicant to determine ahead of time whether a local CDBG-eligible project will be competitive or not among statewide applications.

CDBG funding works well for acquisition of land for development of affordable housing, for acquisition of land with homes that are or will become affordable, for repair and rehabilitation of renter- and owner-occupied housing, and in some cases for construction of new housing by community-based development organizations (CBDOs).

To be competitive, a project must be ready to proceed, including having commitments in place for any matching funds, for project site(s) and for agencies involved in the project's implementation.

> **Recommendation 3**: Have at least one strong CDBG-eligible project ready each year for the state CDBG competition and have a queue of future CDBG-eligible projects on the drawing boards.

Community Development Block Grant Planning-Only Grant Program   WA Department of Commerce also offers CDBG planning grants of up to $24,000 for projects that will principally benefit people with low income. Projects now compete once per year, during the annual statewide competition for CDBG funds. In 2016, the Washington Department of Commerce will make available $240,000 for competitive CDBG Planning-Only proposals and has offered Skagit County $24,000 to help fund the Skagit Council of Governments 2016 Housing Work Program.

> **Recommendation 4**: Consider using the CDBG Planning-Only Grant Program to plan for programs and projects that produce affordable low-income housing.

HOME Consortium Funding The federal HOME Investment Partnerships Program provides grant funding for a range of housing affordability purposes, including construction, acquisition of land and housing, renovation of housing, tenant-based rental assistance, and support for Community Housing Development Organizations (CHDOs).

Larger counties and cities automatically qualify for an annual HOME grant, but smaller counties and cities are not eligible unless they work together to form a Consortium that qualifies the Consortium area for an annual HUD HOME grant.

In 2014, Skagit, Island, and Whatcom Counties joined with sixteen cities and towns in the region to form the Skagit County Consortium. The Consortium received $623,166 in HOME funding in 2015 and expects to receive an additional $1,240,000 by 2017. As the administrator of the Consortium HOME grant, Skagit County is responsible for grant administration, contracts, and securing local matching funds.

The HOME regulations are complicated, but this represents one of the few opportunities for new, recurring annual grant funding for the Skagit area.

> **Recommendation 5**:   Administer the Consortium's HOME grant to allocate in the three-county area at least $600,000 annually in support of homeownership assistance, tenant-based rental assistance, support for Community Housing Development Organizations (CHDOs), planning and administrative costs.

CREATING NEW LOCAL FUNDING SOURCES

Municipal general funds and in-kind support   Cities and counties can allocate unrestricted general funds for projects and programs that produce and preserve housing affordable to people with low income. With all the competing priorities for limited general fund revenues, this may be a tough sell. However, when a housing project is pursuing nonlocal funding, it sends a powerful message if a municipal government is spending its staff time, offering land for housing, providing a deferred loan, or otherwise addressing the issue of housing affordability.

> **Recommendation 6:** Look for opportunities for local governments to invest in housing affordability programs and projects, both cash and in-kind resources such as staff time, land, bridge funding, deferred loans and other measures.

Real Estate Property Tax and Sales Tax Municipal governments are authorized by RCW 84.52.043 and 84.52.105 to designate real estate property tax revenue for low-income housing programs and projects including acquisition, renovation, construction, rent assistance and wrap-around services.

In Washington, the City of Seattle provides an example of how a relatively small amount of property tax revenue can leverage other private and public funding to create affordable housing. Seattle voters approved a Senior Housing Bond in 1981 and have since voted to renew the property tax for affordable housing four more times when the levy was about to expire. The most recent Seattle Housing Levy passed by 2 to 1 in November 2009, during troubled economic times. This seven-year levy will yield $145 million, costing the owner of a median priced home about $5.50 per month.

In November 2012, the City of Bellingham voters were asked to approve the first-ever Bellingham Home Fund property tax levy lid lift, authorizing up to $0.36 per $1,000 in value to raise $21 million in new local revenue to be collected over seven years. The ballot measure relied on the authorities in both RCW 84.52.043 and 84.52.105, with most of the funding targeting families and individuals with very low-income, for a range of housing production and programming.

Bellingham voters approved Bellingham Home Fund by a sizable majority, with over 56 percent of the voters in favor. Since 2012, the Home Fund has assisted with the production and preservation of 730 homes affordable people with very low income. In addition, the Home Fund is used to support rental assistance and supportive services.

Other communities around the U.S. have been voting in support of housing, and that trend will encourage more Washington communities to consider the idea. Skagit County and its cities and towns could look ahead to the possibility that voters would approve a real estate tax levy lid lift that designates a portion of local property tax revenue for affordable housing.

Sales and Use Tax for Housing and Related Services RCW 82.14.530 authorizes counties to submit to the voters a sales and use tax of up to one-tenth of one percent for affordable housing construction, services, and operations and maintenance. If counties do not take advantage of this option prior to October 2017, cities within the county have the option to submit the sales and use tax to a vote of the people.

Authorized by the legislature in 2015, this local funding option provides an opportunity to fund service delivery and operating costs that are typically very difficult to resource. Communities across Washington State are currently considering this new tool as an alternative or addition to the real estate property tax levy. This sales tax option is similar in size and scope to the Mental and Substance Abuse Treatment Sales and Use Tax, adopted by the Skagit County Board of Commissioners in 2006 when Skagit County was one of the first counties in Washington State to take advantage of this local funding option.

Recommendation 7: Skagit County municipalities can consider a ballot measure asking voters to support more local tax revenue for housing for seniors, veterans, farmworkers, working families and other people with low income.

Economic Development Public Facilities Distressed/Rural Sales and Use Tax In 1997, the Legislature authorized a portion of the state's sales tax revenue to be returned to local jurisdictions to "finance public facilities serving economic development" strategies. Funding under RCW 82.14.370, sometimes called "Point Oh Nine" funding, can only be used for publicly owned facilities, not for private facilities or private buildings. This funding can incentivize affordable housing construction at appropriate locations, inside urban growth areas (UGAs) that charge fees for public facilities.

Housing for the work force is an essential component of a healthy economic infrastructure and an effective part of local economic development strategies for many reasons including those outlined above on pages 14 to 16, including:

- ✓ Creating permanent jobs in construction and services,
- ✓ Building and supporting a skilled, stable work force,
- ✓ Recognizing that housing is part of the infrastructure of a strong economy,
- ✓ Producing public revenue from construction and on-going economic activity, and
- ✓ Recognizing the double multiplier effect of local public funding.

If construction of housing affordable for the work force and construction of public facilities are recognized as part of an economic development strategy, then the Distressed/Rural Sales and Use Tax statute allows this funding source to pay for public facility costs that are related to that construction, specifically the fees and charges for public facilities associated with new construction.

These public facility costs are often called "off-site improvements", and examples of these costs include impact fees (transportation, schools, parks) and utility charges (capital facility costs of public utilities including water systems, sewer systems and stormwater systems). These public facility fees and charges add up to a significant cost of construction.

Whatcom County in 2010 established a local funding program that uses this strategy. The Whatcom County Economic Development Investment (EDI) Program, funded with RCW 82.14.370 revenue, allocated $1.2 million as an incentive for the construction of affordable housing for people with low income. The Whatcom EDI funds can pay impact fees and utility fees for homes affordable at or below 80 percent of the area median income.

Whatcom EDI funds are invested as deferred loans, secured by the property and recorded on the title deeds, with repayment of the loan if a home comes out of an affordability program or at the end of 20 or 50 years, whichever comes first, for rental and homeownership projects, respectively. The program has been used in the construction programs of Habitat for Humanity of Whatcom County, Kulshan Community Land Trust and Whatcom Skagit Housing.

Following Whatcom's lead, Skagit County recently approved the use of Skagit Economic Development Public Facility Funds as an incentive for the construction of affordable homes. In 2015, the County set aside $100,000 in funding with additional allocations, potentially, in future years.

Recommendation 8: Skagit County could increase its set-aside of Economic Development Public Facility Funds to create more opportunities for affordable housing. With significant impact and utility connection fees across the County, eligible projects—and those residents with low-income who will occupy them—could benefit substantially from access to these funds.

OTHER RECOMMENDATIONS

Update and Implement the Skagit County 10-Year Plan to End Homelessness Skagit County has adopted a 10-Year Plan to End Homelessness that includes strategies that aim for three goals:

- ✓ Reduce the occurrence and prevalence of homelessness,
- ✓ Reduce the amount of time people spend in a state of homelessness, and
- ✓ Reduce homelessness recidivism or relapse into an episode of homelessness.

The Skagit County Commissioners endorsed the 10-Year Plan after a community effort that included input from homeless services stakeholders who reviewed local conditions and opportunities and factored in data and research results from programs around the country.

The 10-Year Plan's strategies to end homelessness, in addition to a focus on the quality and coordination of services, includes two strategies that overlap with the recommendations in this report:

- ✓ Increase the supply of permanent housing and permanent supportive housing, and
- ✓ Develop new resources to implement the 10-Year Plan.

Recommendation 9: Make sure the implementation of the recommendations in this report support the progress being made to implement the 10-Year Plan to End Homelessness.

Implement the Skagit County Farmworker Housing Action Plan The Washington State Farmworker Housing Trust worked with a local Skagit Valley Farmworker Housing Trust Advisory Board to create the Skagit Farmworker Housing Action Plan 2010 – 2015, based on regional survey findings and the best available information about the impact of agriculture on the local economy.

The broad-based advisory board reached consensus on the recommendations for strategies and action to support housing for farmworkers, including:

- ✓ Public awareness efforts focused on the benefits of housing and a change in public perceptions,
- ✓ Land availability at appropriate locations while protecting valuable agricultural lands, and
- ✓ Partnerships and coordination of resources for farm employees and their families.

Recommendation 10: Carry forward the Action Plan adopted by the Skagit Valley Farmworker Housing Trust Advisory Council.

Support and expand the capacity of homeownership programs Many working families and individuals would make great homeowners if homebuying opportunities were affordable in their price range.

With interest rates at historic lows, the next several years appear to be an ideal time to focus on affordable homeownership, working with eligible homebuyers to create more affordable homes at appropriate locations, close to jobs and services.

When a household can show a good credit rating, low household debt and a modest downpayment, mortgage lenders can offer affordable mortgages that make homeownership possible. Lenders include the USDA Section 502 program used by Whatcom Skagit Housing, local mortgage lenders who use the safe and reasonable Fannie Mae underwriting criteria, and local lenders that use the WA State Housing Finance Commission's state bond mortgage programs. From the lenders' perspective, local homeownership programs create new customers for the mortgages they offer.

The missing ingredient is the *mortgage gap financing* that can fill the gap between the total costs of buying a home and the mortgage plus downpayment that a homebuyer with low-income can afford. This mortgage gap can be financed with *community capital investments* such as the nonlocal and local funding discussed above, with innovative policies and incentives, and with *sweat equity* from the homebuyers who help to build their own homes.

The Skagit area is fortunate to have four affordable homeownership programs that can work independently and in collaboration with each other: Skagit Habitat for Humanity, Whatcom Skagit Housing, Home Trust of Skagit and Parkview Services.

> **Recommendation 11**: Support and expand the capacity of nonprofit homeownership programs by securing more local and nonlocal funding as the *community capital investments* that work as the *mortgage gap financing* that makes homebuying and homeownership more affordable.

<u>Support the development of high-quality *permanent supportive housing* for people with behavioral health conditions</u> Supportive housing is a nationally-recognized best practice for improving health outcomes, creating efficiencies, and reducing public costs. This model housing serves people who are experiencing, or are at risk of, chronic homelessness and have a serious mental health illness, chemical dependency illness or multiple and complex physical health problems. By pairing affordable housing with adequate wrap-around services, a home helps people achieve stability and dignity.

Increasingly, communities are moving toward a supportive housing model as studies show it is more cost-effective than keeping people on the streets or cycling through shelters or transitional housing. Unlike shelters or transitional housing, permanent supportive housing looks like normal housing and does not limit a resident's stay.

Supportive housing is a win-win for residents and the community. According to the Corporation for Supportive Housing, this model:

- Improves Lives: Research has shown that supportive housing has positive effects on housing stability, employment, mental and physical health, and school attendance.

- Generates Significant Cost Savings to Public Systems: Cost studies in six different states and cities found that supportive housing results in tenants' decreased use of public services, hospitals, emergency rooms, jails, and prisons.

- Benefits Communities: Evidence shows that supportive housing benefits communities by improving the safety of neighborhoods, beautifying city blocks with new or rehabilitated properties, and increasing or stabilizing property values over time.

Skagit County's Mental Illness and Substance Abuse Sales Tax revenue can be used to fund supportive housing services for people with behavioral health needs, and new tools, such as a potential Medicaid waiver for supportive housing, may make it easier to operate these types of programs.

> **Recommendation 12**: Create a task force of housing developers, service providers, local business, interested citizens, and local government officials to assist with siting, funding, and developing supportive housing for people with behavioral health needs and other special needs.

<u>Preservation of existing housing and conversion to affordability</u> Much of the housing throughout the County has monthly costs that are mismatched with the incomes of working families and other lower-income people. According to the HUD's analysis of U.S. Census Bureau American Community Survey (2008-2012), nearly two out of every five households cannot afford the home they occupy in Skagit County (37.1 percent, 16,900 out of 45,475 households) because they spend more than 30 percent of their gross monthly income on housing costs.

Additionally, many properties in Skagit County are older and may suffer from unhealthy housing conditions, such as mold or lead-based paint. In many cases, property owners do not have the money to fix these problems, and in rental housing, residents may be nervous to report repair needs to landlords. These conditions negatively impact residents' health, employment and educational attainment while exacerbating the strain on other systems such as emergency services and Medicaid.

Acquisition, renovation and preservation of existing housing offers at least four advantages when compared to the construction of new affordable housing:

- ✓ Acquisition and preservation has a quicker impact compared to the long lead times required to plan, finance, permit, and build new housing.
- ✓ Existing housing already fits into the fabric of the city, and its preservation and renovation is more likely to be welcomed by its neighbors than new construction.
- ✓ Existing housing may be in need of upgrades to improve the health and safety of residents. Acquisition and renovation provides an opportunity to assess the health of housing and funding to address needed repairs.
- ✓ Affordable rental housing developments may see their affordability requirements disappear unless the community can work with the owners to extend the affordability period.

The same basic formula is used for new affordable housing production. A combination of community capital investment and debt service repaid with monthly housing payments could be used to acquire, renovate and preserve existing housing to be offered at affordable monthly costs as rental or leasehold housing.

Additionally, the County and cities could use funding to offer incentives, such as deferred loans, for housing rehabilitation—particularly housing that is shown to be substandard or unhealthy—in exchange for making those homes affordable long-term. New tools being discussed at the state legislature may make it easier for communities to incentivize housing preservation, to keep homes affordable and healthy for extended periods of time.

In the private for-profit sector, property management companies have business models that work well to provide market rate rentals. The missing ingredient for the Skagit area is a private or public sector entity(ies) that could step forward to serve as the owner and manager of scattered rental housing for people who cannot afford market rate rentals.

Bonus recommendations:

- Assess housing preservation needs throughout Skagit County, including:
  - An inventory of properties at-risk of losing Federal and/or State subsidy
  - Outreach to tenants and property owners to assess healthy housing needs
- Conduct research and outreach to property owners to identify incentives that may encourage the preservation of existing rental housing at affordable levels.
- Build a business plan for the acquisition, renovation, and preservation of existing housing that could be offered as rental housing with monthly costs affordable for households of low-income. Determine whether adequate community investment is available to make the business plan feasible.

Coda

Housing affordability remains one of the most complex issues facing policy makers at the local level. Skagit County faces its own version of the same complications that make homes unaffordable for many hard working families and individuals who pay more for housing than they can afford.

Without reinventing the wheel and by using good ideas from elsewhere, the Skagit area has opportunities to make things better, immediately and for the long term. Skagit's challenge is moving forward more quickly towards a local system that supplies more homes people can afford and that stay affordable for the range of incomes that will exist in Skagit County.

Kudos to you for reading this far, hopefully with the sense that more good things are possible in the Skagit region. If you know of questions, concerns, suggestions and ideas that might benefit the Skagit housing affordability strategy, let your peers including Skagit County staff know. Contact names appear on the first two pages of this report.

A Resolution Establishing the Docket for the 2017 Comprehensive Plan Policy and Map, and Code Amendments

Whereas SCC 14.08.030 provides that Skagit County will accept proposals for Comprehensive Plan policy, map, or code amendments through the last business day of July each year;

Whereas Skagit County received numerous proposals for policy, map, and code amendments for consideration through the 2017 docket;

Whereas the Board of County Commissioners ("Board") met on September 13, 2016, to consider the initial list of proposals and add its own for the purpose of receiving public comment;

Whereas the County published notice of the docket proposals on November 10, 2016, and accepted written comment through December 8, 2016;

Whereas the Board held a public hearing on the proposals on December 5, 2016;

Whereas the GMA Steering Committee (composed of representatives of the county, cities, and towns) met on December 14, 2016, and recommended 5-2 against the Board docketing the Avalon Fully Contained Community (FCC) proposal and against revisiting the 20-year urban population forecast and allocations to accommodate Fully Contained Communities;

Whereas the Board deliberated on the 2017 docket proposals and the public comment on December 20, 2016;

Whereas RCW 36.70A.130(2)(a) generally allows for the Comprehensive Plan to be amended only once per year;

Whereas the Board may later decide to add items that do not require Comprehensive Plan amendments to the Department's work program;

Now Therefore, Be It Resolved by the Board of County Commissioners that:

The 2017 Docket of Comprehensive Plan Policy, Map and Code amendments consists of the proposals identified as "docket" in Attachment A.

Witness Our Hands and the Official Seal of Our Office this 20 day of Dec., 2016.

Board of County Commissioners
Skagit County, Washington

Lisa Janicki, Chair

Ron Wesen, Commissioner

Kenneth A. Dahlstedt, Commissioner

ATTEST:

Clerk of the Board

APPROVED AS TO CONTENT:

Dale Pernula, Director
Planning & Development Services

APPROVED AS TO FORM:

Julie Nicoll, Civil Deputy
Skagit County Prosecutor's Office

Attachment A
2017 Comprehensive Plan Policy, Map, and Code Amendment Proposals

Decision	#	Petitioner	Subject
Policy Suggestions (Public)			
Exclude	P1	Friends of Skagit County (Bynum)	Reform CaRD ordinance.
Exclude	P2	Friends of Skagit County (Good)	Create standing committees to work with the Planning Commission.
Exclude	P3	Friends of Skagit County (Good)	Implement no loss of agricultural land policy.
Exclude	P4	Friends of Skagit County (Stauffer)	Develop data base of buildable rural lands.
Exclude	P5	Guemes Island Planning Advisory Committee (Fox)	Require permit application for new wells on Guemes Island.
Exclude	P6	Guemes Island Planning Advisory Committee (Rooks)	Encourage rainwater collection on Guemes Island; revise definition of adequate water supply; allow homeowners to design own rainwater collection system.
Docket	P7	Guemes Island Planning Advisory Committee (Fox)	Require permanent protection of CaRD open space on Guemes Island.
Exclude	P8	Roger Mitchell	Ensure equitable distribution of water resources for Skagit County citizens.
Exclude	P9	Roger Mitchell	Make access to water a fundamental right.
Exclude	P10	Roger Mitchell	Require cost benefit analysis using quantitative metrics for all planning projects.
Exclude	P11	Roger Mitchell	Require a geohazards checklist for all planning and permitting projects.
Docket	P12	Roger Robinson	Rezone Rural Reserve on South Fidalgo Island to new zone called South Fidalgo Rural Residential
Map Amendments (Public)			
Docket	PL16-0352	Port of Skagit	Redesignate two Port-owned properties from Aviation Related (AVR) to Bayview Ridge Light Industrial (BR-LI).
Defer	PL15-0383	Skagit Partners, LLC	Amend the Comprehensive Plan, Development Regulations, Countywide Planning Policies, and Comp Plan/Zoning Map to allow consideration of a fully contained community at Butler Hill.

Decision	#	Petitioner	Subject
County Initiated Proposals			
Exclude	C1	Commissioner Wesen	Wiseman Creek Boardwalk Project Removal.
Docket	C2	Commissioner Wesen	Coast to Cascades Corridor study revision
Docket	C3	PDS	Garage setbacks in Bayview Ridge Residential
Docket	C4	PDS	Major utility development in Bayview Ridge Residential
Docket	C5	PDS	Temporary events in various Bayview Ridge zones
Docket	C6	PDS	Prohibit creation of multiple lots in small scale business.
Docket	C7	PDS	Rural Freeway Service and Rural Center development size limits
Docket	C8	PDS	Mobile home parks
Docket	C9	PDS	Similk Beach septic
Docket	C10	PDS	Affidavit for accessory dwelling unit
Docket	C11	PDS	Variance chapter formatting error
Docket	C12	PDS	Repair, replacement, and maintenance of water lines.
Docket	C13	PDS	Reorganize personal wireless services facilities code
Docket	C14	PDS	Update and simplify the Airport Environs Overlay (AEO) map
Docket	C15	PDS	Ika Island to Rural Reserve.
Docket	C16	PDS	Department of Natural Resource (DNR) Lands to OSRSI
Docket	C17	PDS	Seattle City Light Lands to OSRSI
Docket	C18	PDS	Pressentin Park to OSRSI
Docket	C19	PDS	Island International Artists Rural Business correction
Docket	C20	PDS	Weide Mineral Resource Overlay (MRO)
Docket	C21	PDS	Jensen Rural Reserve correction

SKAGIT COUNTY
Resolution # R20180013
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Resolution No.

Establishing the 2018 Docket for Amendments to the Comprehensive Plan, Zoning Map, and/or Development Regulations

Whereas under RCW 36.70A.130(2)(a), updates, proposed amendments, or revisions to the Comprehensive Plan are considered by the County no more frequently than once every year; and

Whereas under SCC 14.08.020(6), the Board may accept petitions for development regulation amendments as part of the annual docketing process, or may itself initiate the process of adopting or amending development regulations at any time;

Whereas under SCC 14.08.030, Skagit County accepted proposals for amendments to the Comprehensive Plan, zoning map, and/or development regulations through the last business day of July 2017;

Whereas Skagit County Planning & Development Services received four proposals for consideration on the 2018 Docket;

Whereas Skagit County Planning & Development Services published notice of the docket proposals on November 4, 2017, and accepted written public comments through November 27, 2017;

Whereas the Skagit County Board of Commissioners (Board) held a public hearing on the proposals on November 21, 2017;

Whereas the Growth Management Act (GMA) Steering Committee (comprised of representatives from Skagit County and other cities and towns in the County) met on October 31, 2017, and recommended 4-3 against revising the 20-year urban population forecast to accommodate Fully Contained Communities, including the Avalon Fully Contained Community (FCC) proposal;

Whereas on December 19, 2017, the Board began deliberations on the proposals for the 2018 Docket including public comments. The Board also made a motion to hold an additional public hearing to consider the addition of a County-initiated map amendment to the 2018 Docket as authorized by SCC 14.08.030(2)(a);

Whereas Skagit County Planning & Development Services published notice of the public hearing on December 26, 2017 and accepted written public comments through January 18, 2018;

Whereas on January 16, 2018, the Board held a public hearing and on January 23, 2018 the Board deliberated on the proposals for the 2018 Docket including public comments.

Now Therefore, Be It Resolved by the Board of County Commissioners that:

The 2018 Docket for Amendments to the Comprehensive Plan, Zoning Map, and/or Development Regulations is hereby adopted and attached as **Exhibit A**.

Witness Our Hands and the Official Seal of Our Office this 29 day of January, 2018.

SKAGIT COUNTY COMMISSIONERS SEAL COURT STATE OF WASHINGTON

Board of County Commissioners
Skagit County, Washington

Kenneth A. Dahlstedt

Kenneth A. Dahlstedt, Chair

Lisa Janicki

Lisa Janicki, Commissioner

Ron Wesen

Ron Wesen, Commissioner

ATTEST:

Amber Erps

Clerk of the Board

APPROVED AS TO CONTENT:

Tim Holloran, Interim Director
Planning & Development Services

APPROVED AS TO FORM:

Julie Nicoll, Civil Deputy
Skagit County Prosecutor's Office

EXHIBIT A

2018 Docket for Amendments to the Comprehensive Plan, Zoning Map, and Development Regulations

PDS	#	Petitioner	Subject
Policy and / or Code Amendments			
Exclude	P-1	Carol Ehlers	Prohibit the activities listed in SCC 14.24.320 in all of unincorporated Skagit County.
Include	P-2	Roger Wechsler (Samish Bay Cheese)	Allow limited food service as an agricultural accessory use.
Comprehensive Plan / Zoning Map Amendments			
Include	PL17-0414	Elizabeth Seume (Quaker Cove Ministries)	Amend the Comprehensive Plan and Zoning designation of approximately 26 acres on Fidalgo Island from Rural Intermediate (RI) to Small Scale Recreation and Tourism (SRT) or another appropriate designation.
Exclude	PL17-0416	Bill Sygitowicz (Skagit Partners LLC)	Amend the Comprehensive Plan, Development Regulations, Countywide Planning Policies, and Comp Plan/Zoning Map to allow consideration of a fully contained community at Butler Hill (also known as Avalon Fully Contained Community proposal).
County – Initiated Proposals			
Include	C-1	PDS	Delete or Modify Comprehensive Plan Policy 4A-5.6.
Include	C-2	PDS	Remove extraneous language for home-based businesses.
Include	C-3	PDS	Authority to modify permits.
Include	C-4	PDS	Storage of articles or vehicles in setbacks and rights-of-way.
Include	C-5	PDS	Administrative official final determination of height in the Airport Environs Overlay.
Include	C-6	PDS	Delete language in SCC 14.16 regarding property value impacts from wireless facilities.
Include	C-7	PDS	Delete language in SCC 14.16 regarding special uses complying with the Comprehensive Plan.
Include	C-8	PDS	Delete the definition for "Unclassified Use."
Include	C-9	PDS	Delete reference to Master Planned Resort as a special use.
Include	C-10	PDS	Delete delay for issuance of permits in the Airport Environs Overlay.
Include	C-11	PDS	Delete examples of administrative decisions.
Include	C-12	PDS	Delete SCC 14.10.030(2).
Include	C-13	PDS	Modify short plat alterations to be a Level I decision.
Include	C-14	PDS	Amend SCC 14.06.150 to modify applicant submission requirements for notification.

Include	C-15	PDS	Add In-Patient facilities locations to Essential Public Facilities.
Include	C-16	PDS	Add allowance for primitive campgrounds to the Rural Reserve zone.
Include	C-17	PDS	Remove reference to building code in setback easements.
Include	C-18	PDS	Modify site assessment requirements for liquefaction hazard areas.
Include	C-19	PDS	Amend the Comprehensive Plan zoning designation of 37 parcels totaling approximately 2,759 acres in the Public Open Space of Regional / Statewide Importance (OSRSI), within the boundaries of the Mount Baker-Snoqualmie National Forest, to the Industrial Forest - Natural Resource Lands (IF-NRL) designation or another appropriate designation, such as Natural Resource Industrial (NRI). This map amendment would also include an evaluation of the Mineral Resource Overlay (MRO) criteria over the subject parcels.
Include	P-12	PDS	Amend the Comprehensive Plan and Zoning designation of approximately 4,736 acres from the Rural Reserve (RRv) to a new zone, the South Fidalgo Island Rural Residential (SF-RR). A new section is proposed in Skagit County Code 14.16 - Zoning to provide bulk and dimensional standards for the new zone. Concurrent amendments to the Comprehensive Plan describing the policies and goals of the new zone will also be required.