



HOUSING IN OUR VALLEY

How housing fared in 2019:
A look at the market in Chelan and Douglas counties
and Our Valley Our Future's housing recommendations



INTRODUCTION

Our Valley Our Future is a collaborative nonprofit that supports visioning and development projects that sustain and strengthen the quality of life in the Wenatchee Valley. In 2017, OVOF released its Action Plan, which features several “game-changer” projects, including one meant to improve housing opportunities for residents. The game-changer called for stakeholders to address the region’s critical housing market issues, including housing availability and affordability, and to advance local coordination and collaboration on a long-term regional approach to housing. Later in 2017, following an OVOF region-wide survey completed by 1,700 residents, OVOF appointed a Housing Solutions Group to work on the issue. In January 2019, after 11 months of research and collaboration, the Housing Solutions Group published and released its “Where Will We Live?” regional housing report, containing 18 recommendations to add more middle-market housing in the community. The regional housing report also contained a white paper on why home construction costs are

significantly higher in Chelan and Douglas counties compared to other communities in Eastern Washington.

In April 2019, the Housing Solutions Group reconvened to support implementation and to monitor progress of the Regional Housing Report’s 18 recommendations, and to serve as a clearinghouse for organizations and residents working to improve the local housing climate.

OVOF’s recognition of housing as a game-changer is considered by

many as the first step in addressing this challenge on a regional and collaborative basis. Since its very beginning, the Housing Solutions Group has been made up of a broad cross-section of organizations and interests.

The Housing Solutions Group is publishing this paper to update the community on how the 18 recommendations in its “Where Will We Live?” report fared in 2019, the first full year of implementation, and to inform residents on the overall state of the housing market in Chelan and Douglas counties. This white paper also fulfills “Task 2.1 / Compile an Annual Housing Report,” one of the 18 recommendations.

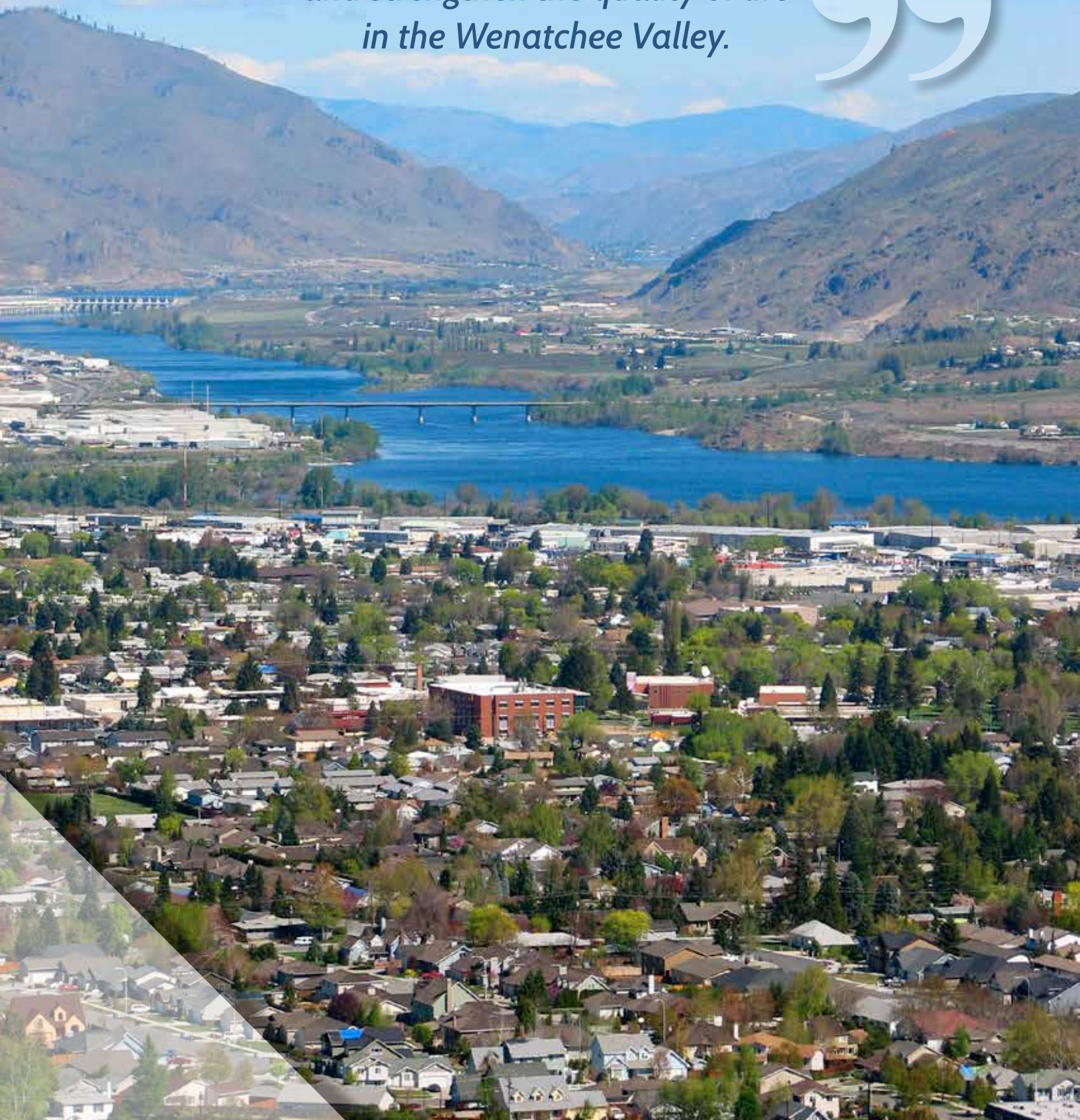


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THE 2019 HOUSING MARKET IN CHELAN AND DOUGLAS COUNTIES

The housing market in Chelan and Douglas counties was mixed in 2019. Construction picked up, particularly of apartments, leading to an **increase in the rental vacancy rate** for the first time in several years. On the other hand, **home sales remained flat and the median sales price rose to its highest recorded level** and one of the highest in all of Eastern Washington.

Several key issues continue to impact housing availability and affordability. Home construction activity, while picking up, is still at the level it was prior to the Great Recession. Many new single-family homes have 3 or 4 bedrooms, a mismatch for the increasingly typical 1- or 2-person households of today. And for several years now, the multifamily market has been characterized by **not only low vacancy rates, but also down-renting**, in which households are occupying units that would normally be

available to lower income households. The purchase of second homes – either as vacation homes or a rental investment – have **driven up housing prices and, in some cases, removed homes from the market for full-time residents.**

As a result, many **people struggle to not only afford housing** today but just to **find housing.** Employers report they

can't fill jobs because housing is not available. Some residents are **spending 70 percent or more of their household income on housing.**

The issues are not just a Greater Wenatchee Area problem. Housing supply is generally deficient throughout the country and especially in the West and in growing metropolitan areas.

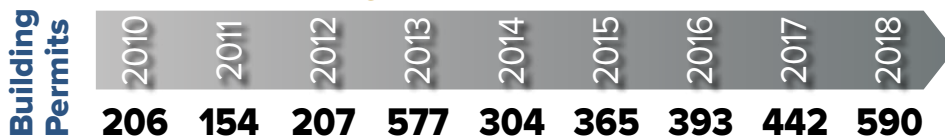
This trend is having a significant impact in states, such as Washington state, that are growing in population. The state Office of Financial Management is estimating this **state's population will grow from about 7 million to 9 million by 2040.**



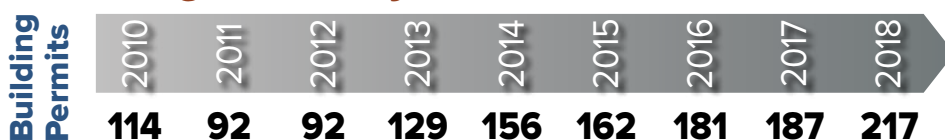
For this report, the Housing Solutions Group relied on information provided by *Pacific Appraisal Associates*, the *Washington Center for Real Estate Research*, and local government planning offices.

“ *Some residents are spending 70 percent or more of their household income on housing.* ”

Chelan County



Douglas County



Building Permits

The number of building permits for new homes in Chelan and Douglas counties has been increasing since the end of the Great Recession but not at the level needed for a healthy housing market. However, several proposed apartment developments – including a **455-unit** complex at the foot of Fifth Street in Wenatchee, a **102-unit** complex off Fourth Street in East Wenatchee, and an **180-unit** complex at Mission and Kittitas streets in downtown Wenatchee – should have an impact in 2020-21, if built.

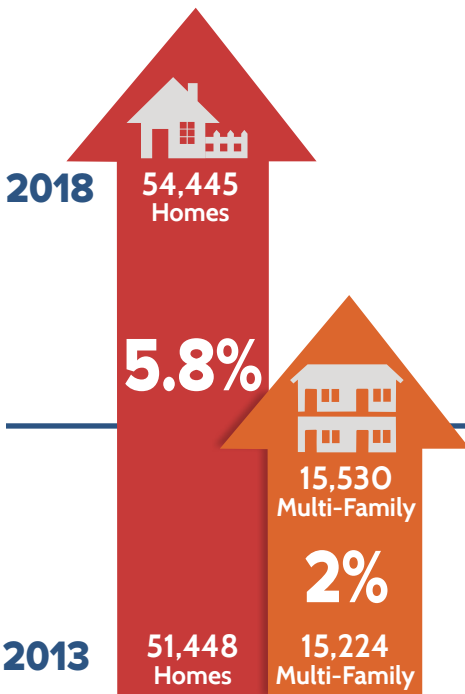


New Listings and Sales

At the end of 2019, the number of homes listed for sale in the Greater Wenatchee Area during the year was about **1 percent less** than in 2018, while closed home sales for 2019 were virtually the same as in 2018, according to the Multiple Listing Service.

Number Of Homes

Between 2013 and 2018, the overall housing inventory (all homes) rose by just **5.8 percent** in Chelan and Douglas counties. As of 2018, multifamily housing units made up **28.5 percent** of the overall housing inventory, compared with **29.6 percent** in 2013.



Increase of housing inventory from 2013 to 2018

Median Home Prices

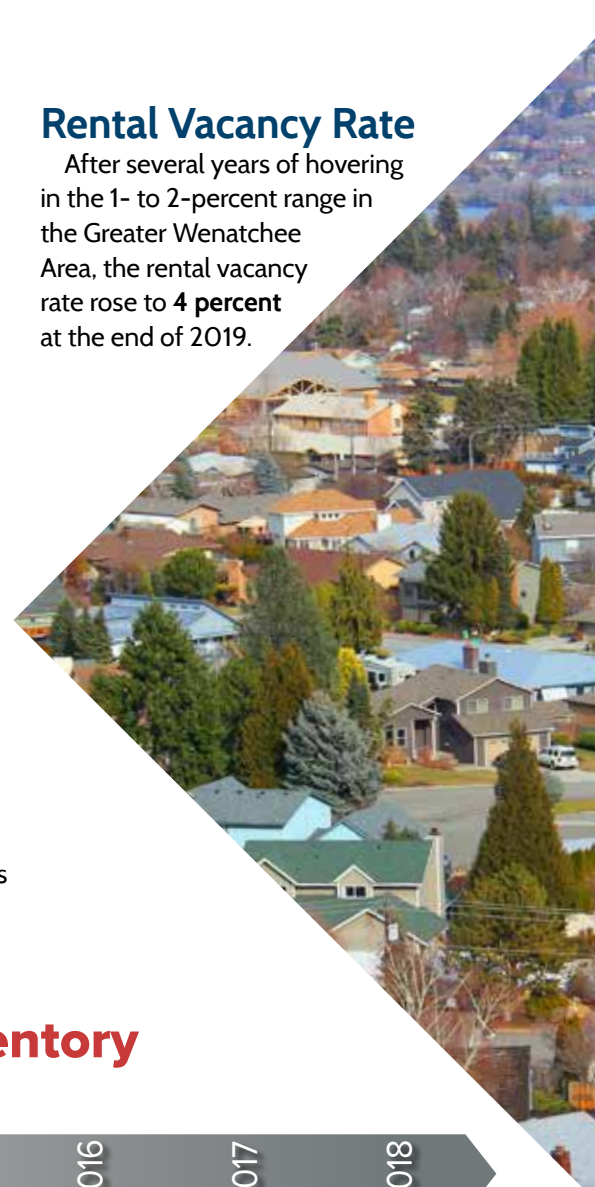
At the end of 2019, the median home sales price in the Greater Wenatchee Area stood at \$349,900, an **8 percent jump** from the previous year and an **80 percent spike** since 2013. In Leavenworth, the median home price was \$499,000 at the end of 2019, a **17 percent increase** from the previous year. For Chelan County as a whole, the median home price was \$364,700 in third quarter 2019 (the latest reporting period at the time of this report), a **4.2 percent jump** from the same quarter in 2018. For Douglas County as a whole, the median home price was \$353,300, an **8.5 percent jump**.

First-Time Home Buyers

Those in Chelan County could afford to spend no more than **\$219,700** for a median-priced home in 2019. In Douglas County, the figure was **\$186,195**.

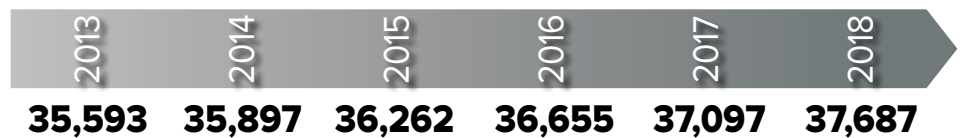
Rental Vacancy Rate

After several years of hovering in the 1- to 2-percent range in the Greater Wenatchee Area, the rental vacancy rate rose to **4 percent** at the end of 2019.

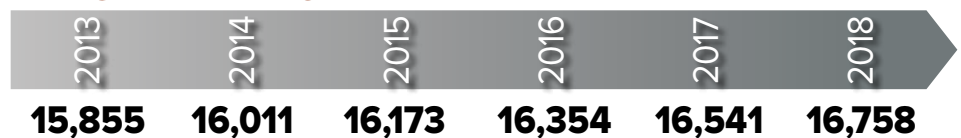


Total Housing Inventory

Chelan County

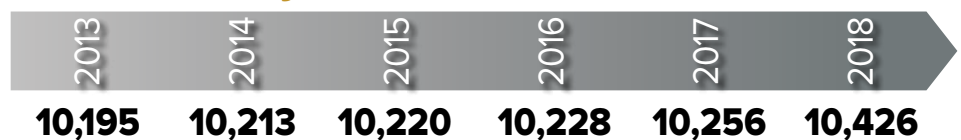


Douglas County

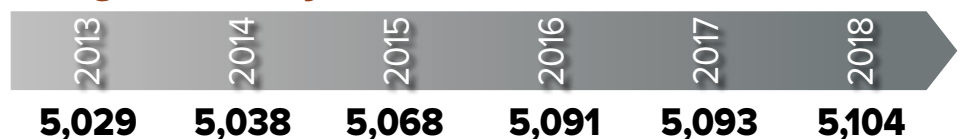


Total Multi-Family Housing Inventory

Chelan County



Douglas County



HOW THE OVOF HOUSING RECOMMENDATIONS FARED IN 2019

When the Our Valley Our Future Housing Solutions Group was appointed in late 2017, community leaders saw the effort as an opportunity to develop common-sense policies and tools to increase housing across the entire region, while also acknowledging the issue is complex and there are no easy answers. Much of the Housing Solutions Group's work has been predicated on what thousands of residents have told OVOF about their housing needs over the past few years.

The Housing Solutions Group decided to focus on middle-market housing – defined as housing affordable to households earning between 80 and 175 percent of the region's median housing income of \$51,845 (between \$41,784 and \$73,904 in Chelan and Douglas counties) – because it impacts a large number of people, some of whom cannot afford traditional single-family homes; will provide assistance to employers who are having difficulty filling jobs; and, in the process, free up more housing for low-

income households, and thus benefit another segment of the housing market.

As the lead partner on the game-changer, Our Valley Our Future assisted the Housing Solutions Group with its tasks in 2019. This support included setting up, facilitating and recording meetings; communicating with elected officials and the community at large; providing policy makers with information, and writing, editing and printing this report.

How the Housing Solutions Group's 18 recommendations fared in 2019

TASK	RECOMMENDATIONS	LEAD PARTNERS	OUTCOMES IN 2019	CURRENT STATUS
TASK 1.1	Streamline codes and processes between jurisdictions. Establish a committee of local professionals to review code and to look for other efficiencies.	Chelan County, Douglas County, City of East Wenatchee, City of Wenatchee	A committee made up of representatives of the four lead partners met three times in late 2019, focusing on creating a one-stop online permit system for the two counties and two cities. There is interest in doing so if project can pencil out.	Underway
TASK 1.2	Compile and publish an annual housing report covering the two counties and all the cities.	OVOF, Chelan County, Douglas County, City of East Wenatchee, City of Wenatchee	OVOF agreed to publish an annual housing report for 2019. The report is to be released in first quarter 2020.	Completed for 2019
TASK 1.3	Encourage Wenatchee Valley College, high schools, organizations or private entities to offer a trades program.	Construction industry, Wenatchee Valley College, Port of Douglas County, Wenatchee Valley Technical Skills Center, carpenters union	Construction industry officials reiterated the need for a local trades program. One idea is to recruit a for-profit vocational school to the region.	Under discussion
TASK 1.4	Appoint a liaison to help developers and builders navigate the permitting process.	Wenatchee Valley Chamber of Commerce	A liaison has not been hired. The Wenatchee Valley Chamber of Commerce is studying whether to potentially expand the liaison's role to include other tasks listed in the Regional Housing Report.	Under discussion
TASK 1.5	Educate the development community and encourage them to use Covenants, Conditions & Restrictions (CC&Rs) that promote density within the development.	None	There has been no movement on this task.	Not yet started
TASK 1.6	Consider regional land-use planning.	OVOF's One Community Game-Changer Working Group	The One Community Working Group's upcoming report on "Regional Thinking, Inclusion and Collaboration" will encourage local governments to explore ways to collaboratively improve the delivery and efficiency of services in Chelan and Douglas counties. This report is to be released in first-quarter 2020.	Under discussion

TASK	RECOMMENDATIONS	LEAD PARTNERS	OUTCOMES IN 2019	CURRENT STATUS
TASK 1.7	Develop better mapping for critical areas and for places with unique topography or modified ground so the process is more predictable.	Chelan County, Douglas County	Chelan County has been updating its flood plain permit process, storm water regulations, and critical areas ordinance. The Housing Solutions Group believes a liaison could help in this area.	Underway
TASK 2.1	Encourage Douglas County to continue to explore ways for jurisdictions and special districts to leverage their resources to provide needed infrastructure.	Douglas County Leadership Group	In 2019, the state Legislature awarded the Douglas County Sewer District a total of \$4 million to extend sewer to the Odabashian Bridge area.	Underway
TASK 2.2	Encourage the PUDs and other utilities and junior districts to invest in infrastructure, and not pass all or most of the cost down to developers and builders.	None	There has been no movement on this task.	Not yet started
TASK 2.3	Explore various opportunities for public-private partnerships that will bring new housing opportunities to the region.	City of Wenatchee, City of East Wenatchee	The City of Wenatchee has agreed to sell a parking lot at Mission and Kittitas streets to Kirkland-based Weidner Homes for a five-story apartment building.	Underway
TASK 3.1	Inform the community about alternative road types, building materials and innovative designs. Create connections for other businesses and vendors to service the region.	None	The Housing Solutions Group began a series of panel discussions on housing topics in late 2019; the series will continue in 2020. Louws Truss Co. opened a truss manufacturing facility in Cashmere in 2018. The Housing Solutions Group is talking to the Chelan Douglas Regional Port Authority about the recruitment of more businesses.	Underway
TASK 3.2	Encourage comprehensive development, including factoring in transportation and schools. Encourage the building of homes in East Wenatchee, Rock Island, Malaga, Entiat, Chelan, Cashmere, Peshastin and Dryden.	Link Transit, East Wenatchee, Rock Island, Malaga, Entiat, Chelan, Cashmere, Peshastin, Dryden	Link Transit has expressed an interest in playing a role in transit-oriented development. New apartment complexes were under construction in East Wenatchee, Leavenworth, Entiat and Chelan in 2019. Chelan County hired an economic development director to advocate for housing outside of Wenatchee.	Underway
TASK 3.3	Create a new public-private downtown development entity to manage parking and facilitate housing projects in the urban center.	None	There has been no movement on this task.	Not yet started
TASK 3.4	Allow for creative subdivisions and creative lot configurations, opening the way for missing middle housing.	City of Wenatchee, City of East Wenatchee, Chelan County, Douglas County, other cities	In 2019, the City of Wenatchee completed updating its codes, allowing for more creative developments and housing types. The City of East Wenatchee has indicated an interest in replicating some of the City of Wenatchee code changes. East Wenatchee and Chelan each received state funds in late 2019 to address code changes.	Completed in the City of Wenatchee in 2019, underway elsewhere
TASK 4.1	Educate jurisdictions, developers, builders and financial institutions about the housing needs of millennials and seniors, and encourage the construction of diverse housing types. Utilize the Housing Solution Group's Report and other communication products to tell the story.	OVOF Housing Solutions Group, NCW Economic Development District	OVOF Housing Solutions Group created and distributed a flyer on whom is working on what housing issues. The Housing Solutions Group began a series of panel discussions on housing topics in late 2019; the series will continue in 2020.	Underway
TASK 4.2	Encourage the City of East Wenatchee to implement a Multifamily Tax Exemption similar to what the City of Wenatchee has enacted. Encourage the state Legislature to allow smaller cities to be eligible for this same tax exemption.	City of East Wenatchee, Wenatchee Valley Chamber of Commerce, lobbyist Bruce Beckett	The Wenatchee Valley Chamber of Commerce hosted a forum in Wenatchee for key state legislators in late 2019. The Chamber is working with state Rep. Mike Steele and other legislators to provide a sales tax credit to public entities as a way to incentivize home construction.	Underway
TASK 4.3	Educate the housing industry, neighborhood groups and the overall community about various housing types and options.	City of Wenatchee, City of East Wenatchee, NCW Economic Development District	The City of Wenatchee held several community outreach events leading up to its code update in 2019. The Housing Solutions Group began a series of panel discussions on housing topics in late 2019; the series will continue in 2020.	Underway
TASK 4.4	Alleviate the state-required wrap insurance for condos that exposes developers to an extended liability that spans several years beyond the standard state one-year liability for single family homes.	Wenatchee Valley Chamber of Commerce, lobbyist Bruce Beckett	In early 2019, the state Legislature passed the SB 5334 Condo Liability bill. This legislation is just beginning to have an impact.	Condo legislation approved in 2019



OVOF Housing Solutions Group 2017-19

Randy Agnew
John Alt
Blake Baldwin
Duff Bangs
Lori Barnett
Matt Bergey
Ace Bollinger
Sally Brawley
JoEllen Colson
Glen DeVries
Jake Davison
Sam Dilly
Guy Evans

Karen Francis-McWhite
Keith Goehner
Jennifer Groos
Mae Hamilton
Michael Howe
Steve King
Dave Kuhl
Andrea Kunz
Kirsten Larsen
Mike Leeds
Hank Lewis
R.J. Lott
Stacy Luckensmeyer

Lyle Markhart
Steve Maher
Alicia McRae
Amy Moubray
Thom Nees
Cheryl Nelson
Stephen Neuenschwander
Greg Olson
Kevin Overbay
Chris Phillippi
Jon Port
Rani Sampson
Sherri Schneider

Carly Skylstad
Chris Silver
Ashley Stanaway
Scott Tiedeman
John Torrence
Laurel Turner
Brian Vincent
Jamie Wallace
Allison Williams
Cory Wray
Arturo Zavala



INFO@OURVALLEYOURFUTURE.ORG
OURVALLEYOURFUTURE.OR FACEBOOK.COM/
OURVALLEYOURFUTURE