CITY OF ISSAQUAH
Joint Meeting on Housing Strategy
PLANNING POLICY, ECONOMIC VITALITY
& HUMAN SERVICES COMMISSIONS
MINUTES

May 11, 2017

City Hall South
Council Chambers

135 E. Sunset Way
Issaquah, WA 98027

PPC MEMBERS PRESENT
Ron Faul
Victoria Hunt, Alt.*
Troy Rahmig
Althea Saldanha, Alt.*
Jon Stob
Lindsey Walsh*
Elizabeth Maupin
Christine Weber

ECONOMIC VITALITY MEMBERS PRESENT
Amit Bhardwaj*
Teresa Garcia*
Laura Milikan
Saikat Sen*
Ethan Stiles
Lincoln Vander Veen*

HUMAN SERVICES MEMBERS PRESENT

STAFF/OTHERS PRESENT
Jen Davis Hayes, Economic Dev. Manager
Trish Heinonen, Long-Range Planning Mgr.
Martha Sassorossi, Human Svcs./Sust.Coord.
Keith Niven, Econ. & Develop. Svcs. Director
Arthur Sullivan, ARCH Director

CALL TO ORDER
Heinonen called the meeting to order at 6:08 PM, and noted that this is the fourth Joint Commission meeting on Housing Strategy. She added some new commissioners are here tonight (*) and welcomed them to the Housing Strategy effort.

HOUSING STRATEGY: PROBLEM STATEMENTS Refresher, 3/13/17 meeting
Heinonen began her presentation with a list of the steps in developing a Housing Strategy, beginning in August 2016 and leading to presentation of a draft strategy to Council by September 2017. She reviewed the draft mission statement for the Joint Commission's efforts (page 11 of 40), which was developed at an earlier meeting. She also gave details about the focus group sessions that the City has held to solicit feedback from the public.

She reviewed the three Problem Statements listed in the agenda packet, as follows:

- Overall housing affordability in Issaquah (and region) has decreased for households at all levels.
- Individual and families cannot afford to choose to work and live in Issaquah.
- Housing types are not meeting the diversity of demand.

She gave results from the recent survey undertaken by the City of residents to get comments, feedback, and input on housing issues, and said these results are not in the agenda packet because they are so new, but will be sent to Commissioners soon. MAUPIN asked do you know what percentage of City residents rent vs. own. Heinonen said that information is available, and she will confirm the correct number (*in 2014, 40% Renter Occupied and 60% Owner Occupied*).

SEN asked for details about how the survey was distributed. Heinonen explained the survey was available online from the City's website, was e-mailed directly to boards and commissions, and distributed to people affiliated with the focus groups. She gave additional details about the City's public outreach efforts.

She continued her presentation on strategies and actions. SALDANHA asked clarifying questions about affordable housing, including how "affordable" is defined. Heinonen referred to information on page 31 of 40. SALDANHA asked will the City's proposed housing goal match what is in the vision for Issaquah. Heinonen replied our affordable housing goal is aspirational, and like many jurisdictions in King County and the region, we are trying to reach the goal but it remains aspirational at this point.

She continued with "Potential Strategies and Actions: Affordable Housing" (page 15 of 40). She distributed a copy of the chart with the information in narrative format.

WALSH questioned whether accessory dwelling units (ADUs) are an effective strategy for providing affordable housing, particularly for the low-income population. She referred to Portland as an example where ADUs serve many needs but do not necessarily provide affordable housing. Heinonen noted Issaquah's regulations do require that an ADU has to be smaller than the primary unit. Sullivan replied ADUs don't explicitly create affordable housing, but they do contribute to the overall mix of available housing, and they tend to be less expensive than commercial properties of the same square footage. He noted ADUs often require owner occupancy of one of the units, and they behave differently in the market than commercial dwellings. Generally speaking, ADUs rent for about 20 percent less, he added, than comparably-sized commercial units.

SALDANHA asked whether rent control is a viable strategy to pursue. Sullivan replied no; it is not legal in this state except under certain strictly defined conditions.

Heinonen continued her presentation on the Potential Strategies and Actions. SALDANHA asked whether it is possible to retroactively require or give incentives to developers of existing housing units to provide affordable housing. Heinonen replied no; once a permit is approved by the City, it becomes a contract which could only be modified as a mutual venture by both parties. Hayes-Davis added it's an interesting idea, especially thinking about using incentives to preserve existing housing. The financing that developers receive for new development is based on rent projections and so on, so it would be more challenging for new development.

Heinonen displayed a slide of Commission Comments to date on actions to address the problem statements, and asked for feedback. In response to a comment from WALSH, Niven noted there isn't going to be one tool that solves the problem of affordable housing and housing availability. We will need a lot of strategies, at all levels, from very low-income to availability of housing for people at the top of the income range. These tools will give us different opportunities to create a healthy mix of housing, and will become strategies that staff will forward to the City Council for their deliberations. Sullivan added we are not trying to write regulations here. We are interested in hearing commission responses to the comments we have captured from previous discussions, and then we will take a look at some new ones that are being added tonight.

MAUPIN said she is hearing from people that development is happening rapidly. If the City required affordable units from developers, it might discourage development from taking place so quickly, which in turn might buy some time while the City keeps up with the required infrastructure. Niven said part of the problem with affordable housing is supply and demand. The less housing that is available, the higher the price will be. So slow growth actually pushes up housing costs.

FAUL raised the issue of full-service affordable housing (housing plus child care, social services, workforce training, and so on) vs. a la carte affordable housing (housing only). Sullivan asked for reactions. WALSH said it is important to have both. She referred to the YMCA's full-service affordable housing and various individual ARCH-subsidized a la carte housing in the Highlands.

Sullivan described the income thresholds of moderate- and low-income households as being under $80,000, and noted that about 40 percent of all City households are going to be in that category. He continued moderate income households are likely to be working, or seniors, and very low-income households are likely to be not working, or homeless. As housing has become more and more tenuous during recent years, he continued, there is increasing interest in serving very low and homeless populations with full-service housing. A la carte housing is most often used for moderate income populations, like 60 to 80 percent of the income median. The City has looked at a wide range of strategies, some aimed at those at 50 percent of median income and some aimed at those well below 50 percent. FAUL noted housing support for a low- to moderate-income household below say, $45,000, would almost need to be full-service; otherwise, that household isn't being given the resources to be successful.

SALDANHA said there are a number of other cities within 20 miles or so of Issaquah, and asked can the City restrict its housing stock to people who work in the City. Sullivan said that is kind of a tricky question, and gave examples of how ARCH and other jurisdictions have tried to address it. The City is aware of a need for housing for its local workforce; that is why these meetings are being held and a housing strategy is being developed. In addition, he said, we have to recognize that cities including Issaquah get funding assistance for low-income housing from a variety of sources outside the city, including the county and the state.

SEN said he has heard about people in Issaquah whose rents have doubled in a short time, and said he understands that rent control isn't legal in Washington, but more discussion is needed about rent control. He said another driver of housing prices is people from outside the country, such as Vancouver, B.C., who don't live here but come and buy homes for cash as investments. This has become very pronounced in recent years, he said. Sullivan said that point has come up in his discussions with other Eastside cities.

FAUL said he would like to have a discussion about affordable housing assistance for first responders and public school teachers. Sullivan made a note of it.

STILES said on item 2, he would support preservation of existing affordable housing as is, but recognizes that doing so could affect supply. He said he would like to explore an ordinance or regulation that stipulated that affordable housing being redeveloped would have to be replaced with affordable housing. Sullivan said so a sub-element of item 2 would be to have growth occur but ensure that any affordable housing being replaced is replaced with more affordable housing.

FAUL asked whether ADUs must be part of the primary building. Sullivan replied the vast majority are, and gave more details about what qualifies as an ADU. FAUL noted daylight-basement homes on Squak Mountain seem especially well suited for ADUs. Sullivan agreed, and said most ADUs are carved out of existing dwellings, with designated spaces for cooking and bathing, a firewall, at least one more parking space than the code requirements for the primary dwelling, and so on.

HUNT asked could the City encourage developers to include planning for ADUs in new developments. WALSH agreed, and said because ADUs serve multiple purposes, it is also important to think about ADUs in existing homes. Most new housing is going to be higher density,

such as apartments, and not as amenable to ADUs. Sullivan said it is possible for builders to build with future ADUs in mind. It is not difficult to accommodate an ADU, especially if it is part of the initial design. SALDANHA said in high-cost areas, renting AirB&B units is more profitable than ADUs. Sullivan made a note of that point for further discussion of ADUs.

AFFORDABLE HOUSING STRATEGIES AND POTENTIAL ACTIONS FOR ISSAQUAH
Refresher from Council Work Session, 3/13/17

Sullivan showed a chart with the three problem statements (Exhibit B, page 40 of 40). He talked about why condo development seems to have slowed down, including the possible impact of the state's condo liability law. He explained that townhouses are fee-simple, and not subject to the same liability laws. This might be a question for the City to address legislatively, he added.

FAUL asked what is the basic difference between a townhouse and a condo. Sullivan said a condo owner owns just the "air" in the unit, and the condo association owns the building, the grounds, and the land below the condo. A townhouse is a subdivided lot in which each unit owner also owns the land below the unit. They may look the same on the surface, he added, and the difference may largely exist only on paper. Typically, he continued, a townhouse is on a platted lot. Niven added right now, developers of apartments can command large rents in our area, and most developers are more interested in taking short-term advantage of that situation.

STOB said condos are part of a good, healthy comprehensive mix of housing options. STILES agreed, and said having a fixed-cost mortgage has advantages over risking rent increases, plus the owner actually owns something at the end instead of having just paid rent. FAUL said the urban core is likely to get condos and apartments, not townhouses or duplexes, simply because of a scarcity of developable land. GARCIA said from her experience, buying a condo is a first step to home ownership, and many people, herself included, go from buying a condo to buying a townhouse to buying a single-family home. Then, when people want to downsize, they go back to a condo again, she continued. She said she sees condos as a valuable part of the continuum of housing options in a community.

SEN said he thinks condos are fine, but not in the Highlands and other neighborhoods that are already stressed to provide adequate infrastructure. Sullivan noted that the occupancy rate for apartments and smaller condos in the Northwest generally, and the Eastside in particular, indicates that vacancy rates are way down from a few years ago. MILIKAN agreed, and said the apartment house where she works has 125 units and a waiting list of 50 people that have been on the list for a year. RAHMIG noted providing a continuum of housing options is also in keeping with the Housing Strategy mission statement.

WALSH added the Central Issaquah Plan includes a goal to increase density on the Valley Floor, and more condos would increase opportunities for those who choose to work here to also own rather than rent. STOB said his understanding is that all the apartments being built are at least part of the reason the Council enacted a moratorium. Maybe during the moratorium, the City should be looking at improving its internal standards for apartment development so that those buildings could potentially become condominiums. Sullivan made a note of it.

OTHER HOUSING STRATEGIES AND POTENTIAL ACTIONS FOR ISSAQUAH

- *Zoning/building code provisions to accommodate Single-Room Occupancy (SRO) at mini-suites in Multifamily Zones*

Sullivan gave examples such as downtown Redmond and Kirkland where SRO units are in high demand. He also described the recent proliferation of "apodments" in other communities. STOB said apodments could be a good, smaller part of this larger puzzle, but he would be concerned about allowing them to be scattered just everywhere. He spoke in favor of restricting them to certain areas, such as adjacent to transit or retail hubs. Niven said we would have to look at the City's zoning to see if existing regulations would be an obstacle to apodments, and if so, how we would unbundle the obstacles in ways that STOB just described.

FAUL raised the issue of co-op housing with shared spaces (kitchens, bathrooms, and so on). He gave more details about how co-op housing is often configured. He said he questions whether the City has the infrastructure and resources to accommodate the increase in people that would result from apodments and other high-density housing arrangements. MAUPIN said one advantage to dense housing is the ability to preserve more of the trees and natural environment surrounding our housing that is rapidly being lost.

MAUPIN asked what is the difference between a SRO and a boarding house. Sullivan replied the difference is probably very slight from an experiential perspective, although there may be distinct differences from a building official's perspective. MAUPIN said aging populations may not want to do all of their own cooking, so a SRO with meal services might be very appealing to that segment of the population. Sullivan summarized the small space housing ideas he is hearing so far.

- *Allow diverse housing models, cottages duplex/multiplex, infill in single family areas*

SALDANHA expressed concern about condos that are purchased but immediately turned over as rentals, and asked whether it is possible to restrict condo residents to owners only. BHARDWAJ said as an example, he owns a condo in the City, and the homeowners' association requires that it be owner-occupied for at least two years before renting.

WEBER noted it is important to keep nonprofit adult family homes in mind to serve the population with disabilities. MAUPIN noted we have existing adult family homes in Issaquah neighborhoods now that don't seem to be creating any problems.

RAHMIG said in his view, all options should be on the table, and the City should lower the burdens to developers and let the market drive development to a certain degree. Sullivan noted he has participated in efforts to help cities write rules for ADUs, but normally a city wants some conditions in place. He continued he's not hearing any comments from participants tonight that these ideas are missing the mark. We can add to the list from what we are hearing tonight, and also discuss other ideas at the next meeting.

SEN asked for clarification whether cottages, duplexes, multiplexes, and so on would be allowed to replace single houses. Niven said it depends on the zoning; in some neighborhoods, yes, they would all be allowable. Some cities, such as Bellevue, are experiencing the tear-down of ramblers that are being replaced with duplexes and multiplexes. The question is whether that is a benefit to the City in terms of added housing capacity, or whether it results in a loss of character. STILES said he thinks the loss of character issue is an important point. He said he enjoys Front Street, but if the traffic became even worse as a result of more density, it wouldn't feel the same, so maybe allowing more density everywhere isn't a good idea. He said the Highlands neighborhood was built to accommodate density, but traffic is already bad there, and if single units were to be replaced with duplexes and triplexes, it would be a disaster. So his reaction, he continued, is not "no" but rather a caution to think deeply about where and when to allow replacement development that would result in greater density.

Niven noted the City's zoning code determines whether, say, a duplex is allowed in a certain neighborhood, and added the City doesn't have a cottage ordinance now. Sullivan said he is hearing that increased density has to be refined geographically; it is okay in some neighborhoods but not everywhere. FAUL agreed, and said definitely not in south Issaquah, where traffic is already problematic. He spoke in favor of allowing more density in properties with good access to I-90. SALDANHA noted higher density also puts a strain on City services, such as sewer and water. STOB said he thinks cottage housing could be particularly successful in Olde Town, especially cottage housing of various sizes. Sullivan referred to Redmond as an example of a city that has built diversity of housing sizes into its code. WALSH noted in a recent citizen survey about Olde Town, there was strong disagreement with the idea of consolidating properties. She said she feels that cottages could be an exception that could help preserve Olde Town's character.

- *Support housing options and services to enable seniors to stay in their homes or neighborhoods*

MAUPIN said she has heard from seniors that some like living with other seniors, and some want to stay in a neighborhood of mixed ages. She said she would like to see the City address how to help seniors on fixed incomes remain in their homes if they so choose. MILIKAN said she would love it if Hope Link would build an office here in Issaquah, as there is nothing like that here now.

STILES said he agrees with an earlier comment that condos can be a step into and out of the housing market, and can be particularly useful for those on fixed incomes because they help fix costs.

FAUL asked does the City currently have a senior housing strategy. Niven replied the City's approach has been to let the market determine senior housing. Sullivan said that is the way cities normally work; a different, more proactive approach would be to do a senior housing overlay on housing.

Heinonen distributed a matrix of the work done so far, and said staff will add comments made tonight and from focus groups and e-mail it to you as "homework." At the next meeting, we can discuss how the list feels to you in terms of its completeness. So the next meeting will be an opportunity to react to what's listed, challenge any ideas, add new ones, and so on, not just for affordable housing but for housing in general.

PUBLIC COMMENT

Steve Pereira, 170 NE Dogwood Street, Issaquah, said he was glad to hear the comment made about making housing affordable for first-responders and teachers to live in the community. He said in thinking about making public funds available for seniors to stay in their houses, he would like to see more discussion about how at least part of those public funds could be recovered. He added cottage housing discussions should also incorporate tiny homes. He said he would like to see SROs and dormitories be part of the discussion for affordable housing options.

OTHER BUSINESS/ANNOUNCEMENTS/ADJOURN

SEN said he would like more information about the City's plans for traffic, schools, infrastructure, and so on. Heinonen encouraged Commissioners, particularly new members, to contact staff with any requests for information. Niven noted the Economic Vitality Commission will be discussing that subject at its next meeting on Wednesday, May 17, at 5:30 PM. He referred to the City's new software, City Engine, the base of which is being developed now. Among other features, it will allow new development plans to be displayed in 3-D models, he noted.

Heinonen noted the next Joint Meeting will be held May 25, 2017 at 6:00 PM. She added that PPC will meet on May 25 at 5 PM, just prior to the Joint Meeting. With no further business to conduct, Heinonen closed the meeting at 8:16 PM.

Respectfully submitted,

Susan Lowe
Recording Secretary