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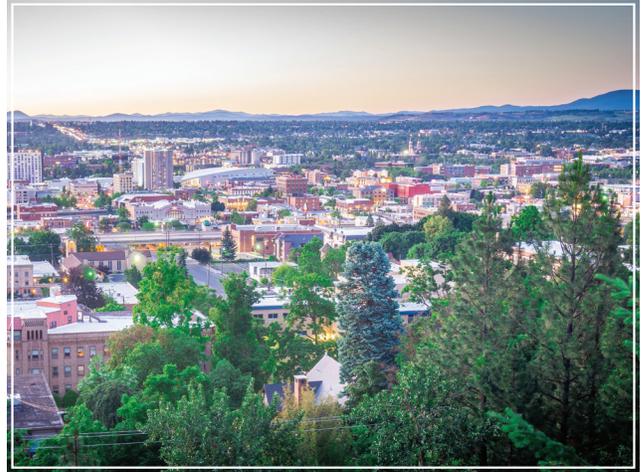
FEATURE

Increasing Spokane's Housing Supply

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Spokane, Washington
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The following is excerpted from the executive summary of the final CRE Consulting Corps report presented to the Spokane Association of REALTORS®.

The Spokane Association of REALTORS® (SAR) and Spokane public and private sector groups have been studying the growing problem of housing demand, lack of sufficient inventory of available units, diversity of product and the gap in affordability in recent years. The SAR® reached out to The Counselors of Real Estate Consulting Corps (CRECC) to provide expertise, insight, advice and recommendations regarding this growing concern with hopes of averting or minimizing a housing crisis in Spokane.

The Counselors of Real Estate® is an international, invitation-only organization consisting of some of the most recognized and respected professionals in the real estate service sector. The CRE Consulting Corps is a volunteer public service initiative of The Counselors of Real Estate. CRE Consulting Corps Teams consists of highly skilled experts in diverse areas of the real estate profession who provide insight and actionable plans to governments, not-for-profits, institutions and other owners of real property.

Five CREs participated in an in-person and virtual team consultancy from September 26 to October 1, 2021, to review and make recommendations regarding Spokane's housing issues. The team interviewed numerous public

ABOUT THE AUTHORS



Jacqueline Buhn, CRE, is a principal and co-founder of AR Spruce LLC, which plans, develops, and manages real estate. AR Spruce was formed in 2020 by the merger of Spruce Real Estate Partners and AthenianRazak.

Jackie's expertise includes real estate consulting and planning, historic redevelopment, financial structuring, data center construction and management, and real estate operations.



Owen Beitsch, Ph.D., CRE, leads GAI Consultants' in-house consulting practice, strategically integrating design, planning, and economics. He is also a faculty member at the University of Central Florida, where he teaches

development finance. He focuses on organizational and implementation issues faced by public and private parties as they develop or manage their real estate holdings in complex urban settings.



Sharon Madison, CRE is an urban planner known for strategic real estate planning and development, program and construction management and creative design solutions. She has been a leader in green

technology and adaptive reuse in historic buildings. As the 3rd generation leader in her family's architecture, engineering, planning and construction business, Sharon has been a trailblazer for women and minorities.

Increasing Spokane's Housing Supply

officials, private citizens, for-profit and nonprofit organizations and community groups.

The team analyzed housing supply and development; reviewed demographic, market, and employment data; examined barriers to development; and evaluated the multiple strengths and opportunities that exist, as well as addressed associated weakness or threats. The team also identified best practices and models from other communities.

Stakeholder meetings provided input related to legal constraints, applicable zoning, density requirements, incentives and funding sources. The list of interviewees is included in the final report's Appendix.

There are multiple housing studies already in existence that attempt to address some of the aforementioned issues. The CRECC team reviewed the recent studies and articles written about Spokane's housing situation. At the end of the week, a presentation was made sharing preliminary findings. The final report is the detailed result of the CRECC team findings and recommendations.

KEY FINDINGS

There is broad agreement that Spokane is facing a housing crisis.

Demand for housing in the United States is at its highest level since 2017. Even when demand typically wanes, there has been no slowdown in this "red hot" market. Spokane is no exception to this current trend. In fact, Spokane is leading on opposite ends of the spectrum as it experiences increased demand, fewer listings, limited product, and rapid price increases. With prices up 30% in one year, it ranks in the top 20 cities in the nation in one-year price growth.

In Spokane, 52% of homes sold for under \$200,000 just five years ago compared to 5% of homes selling for less than \$200,000 during the first 8 months of 2021. During that same eight-month period, only 15% of Spokane's employed population could afford a median price home compared to 70% of its employed population in 2016. This has significant social

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Paige Mueller, CRE, is a co-founder of Eigen10 Advisors, LLC (E10A), which provides real estate consulting services in the areas of market and investment analyses, capital formation, investor communications, asset and partner due diligence, portfolio strategy, research and data analytics. She previously created a successful pension consulting business that invested over \$2.5 billion in equity over three years, and worked for GIC Real Estate and LaSalle Investment Management. E10A uses its deep research and analytic background to help investors at the property and portfolio level.



Stan Sidor, CRE, provides consultation services and valuation analysis on a variety of commercial property types, including office, industrial, and retail properties. Stan brings expertise in the valuation of special-purpose properties such as golf courses, convenience stores, automobile dealerships, marinas, fitness centers, churches and schools, daycare centers, and properties impacted by wetlands or hazardous waste contamination. Stan has 40 years of combined real estate and banking experience, including 27 years as a real estate appraiser.

implications, e.g. requiring two-income households, which may particularly impact young families.

These statistics have significant social and economic implications regarding what Spokane will look like in the 21st century and beyond, particularly as it relates to young people, its workforce, growing families, and an aging population. These factors will affect the ability to pay for services if the population declines due to lack of product availability and diversity. These facts are fueling growing concern regarding affordability and Spokane's capacity to reasonably meet the housing needs and service demands of its citizens.

Home equity allows individuals to build wealth and savings for rainy days, as well as to build retirement plans. To enter the housing market, individuals need entry point pricing. Spokane has a notable 'Missing Middle' of smaller, lower-cost housing (often attached, rather than single-family format) that allows renters to

Increasing Spokane's Housing Supply

enter the owned housing market.

An example of a project often cited as a success in Spokane is Kendall Yards, a mixed-use community. It was cited as a possible prototype for future development. Having a prototype reduces risk, cost and time and logically modeled as a prototype. However, Kendall Yards could not be built today under current legislative regulations.

Spokane has been thorough in evaluating the housing situation and involving community members over the past several years. However, even though there is a support for diverse housing, Nimbyism is very prevalent, making implementation difficult.

Given the vacant land surrounding the city, allowing green field development to increase housing seems like an obvious and inexpensive answer, but in the long run sprawl has multiple significant costs including resident health, commute times, transportation costs, pollution, etc.

Increasing development to the east is creating congestion along the I-90 corridor. Expanding road capacity is an extremely expensive and time-consuming undertaking.

Buyers are seeking housing outside of Spokane, even if transportation costs increase, because of the lack of product and affordability.

CHALLENGES

The CRE Consulting Corps team was asked to consider the following challenges with respect to real estate in Spokane as part of our scope of review:

- Spokane's population is increasing but there is a dwindling supply and lack of diversified housing type.
- There is a need for smaller, affordable and accessible housing.
- The limited supply and increased demand caused sales prices to escalate exponentially.
- There is an unmet demand for lower to moderate priced for-sale housing and a need for rental options.

- First-time buyers, young people and "the missing middle" employed population are suffering due to rapidly rising prices and not being able to find affordable alternatives. One of the troubling consequences for these groups is not having the ability to build equity and subsequent wealth.

METHODOLOGY

The CRECC team methodology to address these challenges was to follow a process of review and study existing documents, interview key stakeholders, consider best practices and case studies and obtain feedback on key questions that were raised in previous studies. To that end, the process was as follows:

- Review of all current plans and recommendations in previous studies.
- A site visit was made by 3 of the 5 team members.
- All 5 team members participated in on-site and virtual interviews of key stakeholders including elected officials, public and private sector leaders, nonprofits and others.

RECOMMENDATIONS

Following are key recommendations; further detail can be found in the full **Recommendations** section in the report.

1. Implementation! Implementation! Implementation! A plan without an implementation strategy is not a plan. It's a wish. There are viable recommendations from previous plans that should be implemented. This should include the identification of barriers that would make implementation difficult and taking steps to mitigate barriers in order to make the recommendations actionable.
2. Create and implement zoning changes that support diversity in housing type and lot sizes. There are numerous examples of how this can be achieved to benefit the sustainable growth and development of Spokane.

Increasing Spokane's Housing Supply

3. Increase the density allowance to provide for more efficient development and greater participation in the future of Spokane.
4. Decrease average lot sizes and modify transition rules.
5. Encourage the City to hire a Planning Director as soon as possible to lead and provide direction and prioritization to the department staff.
6. Fill other vacant positions in the planning department. The planning department is understaffed now. Full capacity is needed if planned development is to be a priority.
7. Look at best practices in other cities and states (see case studies in the complete report as examples) and adopt expedited processes to maximize the opportunity for increased housing development. The Spokane Community is not alone in the need to address housing issues. Examples of other cities of a similar size and structure that have undertaken successful measures to improve housing are listed in the Case Study section of the report. These include:
 - Chattanooga, TN – reinventing of downtown, including waterfront & housing
 - Madison, WI and Champaign, IL – controlling sprawl
 - Norfolk, VA – addressing the ‘Missing Middle’
 - Orlando, FL – regional coordination
 - Minneapolis, MN and Alexandria, VA – implementing workforce and affordable housing solutions
8. Formalize and prioritize community engagement to provide education on the issues in housing to the general public in order to build trust and understanding for future cooperation and collaboration. Community engagement has several benefits – it ensures plans for change are well-informed by residents and thus are more likely to be effective, increases ownership of agreed-upon changes, promotes strong ties and relationships among neighbors, and generates social networks and leadership opportunities that build neighborhood capacity to sustain change beyond the immediate project.
9. Prioritize affordable housing near jobs to support businesses and employees alike. This investment is essential to the future of the Spokane community and tax base.
10. Provide certainty when possible. Overall, approval processes and zoning must allow for development to occur in a manner that supports affordable housing. Uncertain policies, lengthy approval processes and prohibitive zoning that requires zoning changes have been shown nationally to increase development costs and prohibit new development, particularly of anything other than the most expensive housing.
11. Incentivize the development of product types that support rentals, entry-level housing and “the missing middle.” Developers and builders are in business. It is important to provide “carrots” to get them to consider the benefits to the community in diversifying housing types, while making a profit in products that may be unfamiliar.
12. Use “Carrot and Stick” approaches. The above examples are the ‘carrot.’ Some communities also use a ‘stick.’ Spokane governments should determine what and when they are appropriate for use and make them part of policy. Certainty will make this a lot easier for all parties.
13. Work with government agencies on growth management plans that supports denser, environmentally sound development.
14. Make community engagement a priority on all levels. Community engagement relies on different approaches. Some examples of communities that use neighborhood engagement effectively are discussed in the Case Study section of the report and include:
 - Agency-Led: San Francisco – HOPE SF Leadership Academy
 - Developer-Led: Bridge Housing

Increasing Spokane's Housing Supply

- Resident-Led: New Orleans approach, e.g. The California Association of Realtors created the Californians for Homeownership, a non-profit 501- (c)(3) organization that works to fight unlawful policies and practices that limit access to housing foundation.

15. Because Spokane city is part of a Consolidated Statistical Area that spans multiple counties and two states, housing must be considered in a regional context. Otherwise, jobs and housing will continue to become separated which will create multiple negative sprawl externalities, including significant infrastructure costs, rising commute times, pollution and other detrimental health conditions. Examples of communities that address multi-county regional housing planning are provided in the Case Studies section, and include the San Francisco Association of Bay Area Governments and Walla Walla Washington.

Homelessness and not-for-profit organizations attempting to address low-income housing concerns were brought up in some of our discussions. Unfortunately, these issues were beyond our scope. Nonetheless, we strongly urge the stakeholders in Spokane to address these concerns. The problem with

affordable housing will inevitably lead to increased homelessness if not addressed proactively.

CONCLUSION

It is obvious from our findings that Spokane has a substantial housing shortage problem. Solving this problem will require direct action and community support, with the cooperation and participation of all local community and market participants, with a particular focus on addressing the “missing middle” housing component.

A number of recommendations have been made to address many of the issues pertaining to the housing issues noted in the final report. It is important to immediately start implementing as many of these recommendations as reasonably feasible. We are hopeful that substantial progress can be made soon to solve the housing shortage issues in the City of Spokane. •

FURTHER READING

Read the full report, "Action Steps to Increase Spokane's Housing Supply," available for download at cre.org/spokane-action-steps.



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