Action Steps to Increase Spokane's Housing Supply

Recommendations by the CRE Consulting Corps

DECEMBER 2021

THE COUNSELORS OF REAL ESTATE®

Contents

Executive Summary

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 officials, private citizens, for profit and non-profit 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 Appendix.

There are multiple housing studies already in existence which 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. This 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 the 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 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 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 house, 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, non-profits and others.

Recommendations

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

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.

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 this 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:
    a. Agency-Led: San Francisco – HOPE SF Leadership Academy
    b. Developer-Led: Bridge Housing
    c. 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 this 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.

Background and Objectives

The City of Spokane, Washington, has a population of approximately 214,000, which has been rising annually. However, housing supply – and diversity of housing type – is not increasing sufficiently to meet the need. An adequate supply of housing options is critical to quality of life and economic growth and prosperity. Smaller, accessible homes are needed to house an aging population. Job growth is projected in healthcare and social services, with average salaries lower than the area median, which could fuel demand for more moderate-to middle-income housing. When workers cannot afford nearby housing, they endure longer commutes, and the entire community suffers increased traffic and carbon emissions. In addition, housing is a key social determinant of health – stable housing fosters better physical and mental health outcomes and success at school and work.

Lack of housing production in Spokane has contributed to escalating home prices and low vacancy rates. The unmet demand is particularly acute for moderate and lower-priced homes, such as those that would meet the needs of working families and first-time buyers. According to James Young, Director of the Washington Center for Real Estate Research, "lack of supply for first time buyers is creating acute problems in the Spokane housing market." Twenty-two percent of homeowners and 48 percent of renters in Spokane County are cost-burdened, according to Census data reported by Mike Kingsella of Up For Growth. Housing demand is expected to increase, as the National Association of Home Builders identifies Spokane among the top 20 markets for home price growth, and the National Association of REALTORS® Economic forecast finds Spokane to be among the top 10 Post-Covid Real Estate Markets.

Supported by state funding (E2SHB 1923) that is intended to encourage communities to provide more housing, the City of Spokane is developing a Housing Action Plan. The draft Housing Needs Assessment (the analysis that will underpin the action plan) finds that "to accommodate forecast housing needs for the City of Spokane, around 357 housing units need to be produced per year through 2037. Meeting this forecasted housing need is achievable given the City of Spokane has seen 537 units on average built annually between 2010 and 2019." A diverse set of stakeholders disagrees with the determination that the city is on track to provide sufficient housing; affordable housing advocates, developers, and others have come together to question this conclusion, identify barriers to increased supply, and propose solutions.

The Spokane Association of REALTORS® reached out to The Counselors of Real Estate requesting the CRE® Consulting Corps provide an unbiased, objective review of relevant demographic and housing data, including the data informing the City's plan, share best practices from other communities, and present feasible, action-oriented solutions to increase housing options that will meet the range of community needs.

The Counselors of Real Estate® is a community of expertise, talent, and professionalism among practitioners recognized as leaders in the real estate industry. The international membership of approximately 1,000 CREs share a commonality of integrity, competence, community, trust and service. To assist the Spokane Association of REALTORS®, The Counselors assembled a team via the Consulting Corps. The Consulting Corps, a public service program of The Counselors of Real Estate, provides real estate analysis and action plans for municipalities, not-for-profit organizations, government entities, educational institutions, and other owners of real property. CRE® Consulting Corps teams provide objective analysis and strategic counsel on how to best leverage real estate assets. Each Consulting Corps assignment is conducted by a team of well qualified volunteer members of the Counselors of Real Estate with expertise specific to the needs of the client. The team delivers unbiased, market driven action steps to address a real estate challenge, often enhancing the performance of a property or portfolio and improving the financial well-being of the client.

Process

The CRE Consulting Corps team conducted a thorough analysis, engaged stakeholders, and proposed actionable solutions. The analysis and resulting recommendations consider and reflect the needs and priorities of the City of Spokane, the Spokane Association of REALTORS®, and community stakeholders. See Appendix B for a list of study participants.

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 team's work included:

- Obtained copies of all current plans and applicable studies.
- Gathered demographic, market, and employment data using recent estimates and projections from local and regional sources including reputable national forecasting companies.
- Identified general overall housing market conditions for owned and rental housing.
- Conducted a site visit.
- Met with local leadership and key stakeholders such as municipal, county, and state leaders (as appropriate), local community groups, real estate brokers/agents, developers, builders, affordable housing advocates/developers, and area business representatives.
- Reviewed legal constraints, density requirements, and other limits, as well as best practices in other places.

Recommendations

Implement Prior Housing Study Recommendations that Support Supply

While estimates vary, analyses of the Spokane housing market agree that Spokane has a housing shortage that is contributing to spiking home prices. Spokane has been thorough in its analysis of the housing market over the past several years (see Appendix A for a sample list of recent housing studies). However, many of those recommendations have yet to be implemented. Staff and city council should **identify barriers to implementation of previous housing study recommendations and implement recommendations that support housing supply**. For example, the CRE team identified 18 "action items" in three different categories to support more housing development and growth in Spokane and the surrounding community, as detailed below. Note that these recommendations particularly address improving the supply of housing, not band-aid approaches such as rent control that will further exacerbate long-term housing pricing.

Zoning/Growth Management Act /Comprehensive Plan

a. Increase density allowances / Decrease average lot sizes / Modify lot size transition rule
b. Allow all different housing types/models / smaller house sizes / accessory dwelling units (ADUs), including townhouses, cottages, tiny home developments, and allow for and encourage senior housing development
c. Allow cluster development, Planned Unit Developments (PUDs)
d. Reduce parking requirements
e. Allow "by right" development and more mixed-use development
f. Ensure city code comports with Comprehensive Plan; update/modernize Growth Management Act
g. Encourage conversion of non-residential use properties to residential uses, especially those now underutilized
h. Increase building height allowances for multi-family development
i. Create more multi-family zones/areas
j. Ensure higher-density housing projects are close to key transportation corridors and not isolated from key services (and/or encourage co-development with key services – "social determinants of health"), including daycares, bus lines, grocery stores (e.g., eliminate "food deserts"), etc.
k. Encourage and focus new development in closer proximity to jobs (e.g., West Plains)

Development Incentives

a. Provide multi-family housing tax credits in all jurisdictions
b. Lower development and all associated housing property development fees
c. Release LIHTC funds now available

Governmental/Structural

a. Add to city planning staff, even if temporary; fill vacant positions; actively focus on updating housing portion of the land use code; hire experienced and well-qualified Planning Director – fill this position!
b. Revise and shorten review and approval process – include accountable maximum time deadlines for each approval; prioritize and expedite proposed housing projects, including mixed-use projects with housing components.
c. Ensure all city departments and staff work together toward same goal.
d. Grant writer – focus on seeking grants for subsidized housing, public – private partnerships, etc.

Improve community engagement in planning.

Conduct **educational programs for neighborhood council and other housing leaders to more effectively engage neighborhood residents in the planning process**. These processes should also focus on creating avenues to receive broad feedback from the community, to develop skills for future leaders and to create the next generation of leaders through a young leader program. These programs can be led by government entities, associations or non-profits, and/or private companies or developers. Examples of successful programs are provided in the Creating Success through Community Engagement section of the report.

Implement a communication campaign for voters.

Housing stakeholders including public and private sectors should coordinate to effectively communicate housing solutions to voters. Housing supply is a complicated issue that is controlled by numerous policies and processes and is implemented only with the cooperation of government officials, local neighborhoods and private companies. This complexity can make it hard to communicate and difficult for voters to understand key underlying principles that impact the housing market, particularly in regard to affordability issues. Band-aid solutions such as rent control are easy to understand and may be appealing to voters, but can be detrimental to having affordable and quality housing in the long-term.

Inform state legislators.

Provide feedback to state legislators regarding the impact of state policies on local housing supply. For example, the Kendall Yards project was often cited as a successful prototype for future housing development, but was just as quickly noted as not possible to replicate because of the regulatory environment, both at the local and state level. Prototypes are important because they can reduce risk and costs while providing quality housing that is attractive to local neighborhoods.

Coordinate regional planning and prioritize housing near jobs.

Because Spokane is part of a multi-county and multi-state metropolitan area, we suggest closer **coordination and planning for housing needs on a regional basis that considers prioritizing housing near job locations**. Otherwise, developing transportation nodes such as new highways, trains or other public transport is extremely expensive and slow, requiring multiple layers of local, state and federal support. Additionally, markets that have experienced sprawl have been shown to have longer commute times, more expensive transportation costs, higher pollution and worse health outcomes.

Further study may be needed.

Some significant issues relevant to Spokane's housing needs fell beyond the scope of the team's work. The following areas may need further analysis:

a. **Homelessness** and a lack of availability in community shelters was noted by many interviewees as a significant housing issue in Spokane. Additionally, there is a lack of low cost and subsidized units that allow people to move from homeless shelters to rental housing when they are ready. As home prices rise, our expectation is that homelessness and the need for subsidized housing will become an increasing issue. This part of the housing market was not reviewed in this report.
b. **Social services to support resident growth to housing security** should be reviewed. Homeless and low income renters were noted by interviewees to need social services to support independence, including services such as independent living, skill building, educational and vocational training, and such.
c. **Review policies that impact tenant safety and reduce incentives to rent housing**. For example, at lower rent levels, tenants may share housing or even rooms. Landlords must be able to provide safe housing for this part of the market, including the removal of tenants for lewd, destructive or violent behavior. Similarly, landlords need effective application processes. Otherwise, rental units will be sold and converted to owner occupied units, particularly under conditions of increasing housing prices, and thus removing another part of affordable housing supply.

Spokane Overview

Population Growth

Population Growth by Jurisdiction

April 1 Population Statistics

Jurisdiction	2010 Population Census	2021 Population Census	Total Growth (No. of Persons)	Average Annual Growth (No. of Persons)	Overall % Change	Avg. Annual % Change
Spokane County	471,221	527,600	56,379	5,125	11.96%	1.09%
Unincorporated Spokane County	136,097	156,230	20,133	1,830	14.79%	1.34%
Incorporated Spokane County	335,124	371,370	36,246	3,295	10.82	0.98%
Spokane	208,916	225,300	16,384	1,489	7.84%	0.71%
Spokane Valley	89,755	98,600	8,845	804	9.85%	0.90%

WA State Office of Financial Management

The population in Spokane County has grown by more than 56,000 persons and nearly 12% since 2010, or an average annual rate of 5,125 persons or 1.09% per year, according to data compiled by the Washington State Office of Financial Management (OFM), which tracks the data. On a percentage basis, population has grown more in the unincorporated county since 2010 than in either of the incorporated communities of Spokane or Spokane Valley, with growth in Spokane during the same period averaging only 0.71% per year (1,489 persons).

Population is projected to grow in Spokane County over the next 10-year period by nearly 50,000 more persons, based on a "medium growth scenario". Assuming an average household size of 2.01 persons, and allowing for the loss of some older housing units by applying a typical "market factor" of 1.15, this indicates that 28,552 more housing units will be needed in the county in the coming decade, or an average of around 2,855 new housing units per year.

2022-2031 OFM Population Projection
Medium Growth Scenario, Spokane County

49,904	Population growth
24,828	Household growth assuming 2.01 persons per household
28,552	Housing units needed assuming 1.15 market factor
2,855	Housing units per year needed to support projected population growth

While the population in the City of Spokane has averaged about 0.71% annual growth between 2010 and 2021, the total number of housing units added during the same period has only grown at an average annual rate of 0.60%, or less than the rate of population growth.

While it is projected that nearly 2,900 housing units per year will be needed to support future growth in the county, fewer than 2,300 housing units per year have been added in the county during 2010 – 2021, and with only 561 housing units added on an average annual basis in the City of Spokane.

Housing Units: 2010 and 2021

Postcensal Estimates of Housing Units, April 1, 2010 and April 1, 2021

Jurisdiction	2010 Base Census Estimate of Total Housing Units	2021 Postcensal Estimate of Total Housing Units	Total Housing Units Added	Average Annual Housing Units Added	Overall % Change -Total Housing Units	Avg. Annual % Change -Total Housing Units
Spokane County	201,434	226,306	24,872	2,261	12.35%	1.12%
Spokane	**94,291**	**100,466**	**6,175**	**561**	**6.55%**	**0.60%**
Spokane Valley	38,851	43,653	4,802	437	12.36%	1.12%

Source: WA State Office of Financial Management

Impacts Resulting from the Housing Shortage

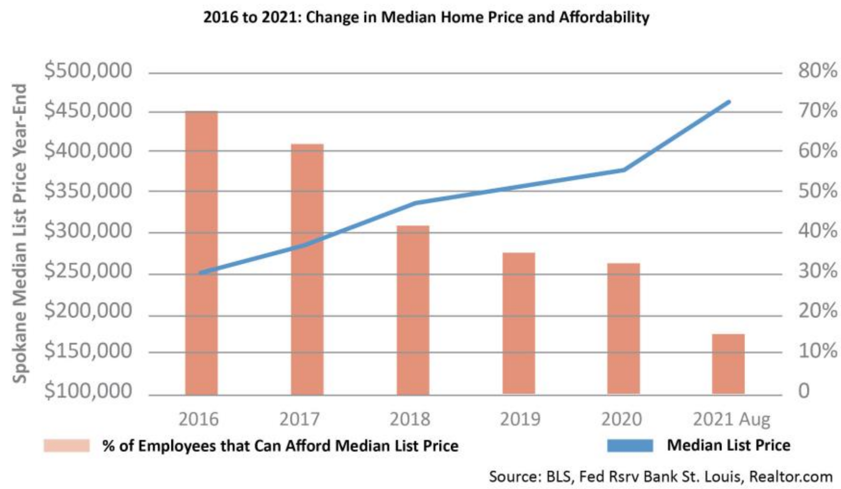
As a result of the housing shortage, home prices locally have been escalating significantly. In the greater Spokane – Spokane Valley market area, housing prices have risen 30% in just the past year (July 2020 – July 2021).

1-YEAR HOUSING PRICE CHANGES

		Annual Change (Jul-over-Jul)
1	Boise City, ID	47%
2	Coeur d'Alene, ID	46%
3	Idaho Falls, ID	40%
4	Austin-Round Rock, TX	39%
5	Pocatello, ID	38%
6	St. George, UT	37%
7	Bend-Redmond, OR	36%
8	Missoula, MT	35%
9	Sebring, FL	34%
10	Logan, UT-ID	33%
11	Cape Coral-Fort Myers, FL	33%
12	Lake Havasu City-Kingman, AZ	33%
13	Ogden-Clearfield, UT	32%
14	Punta Gorda, FL	32%
15	Provo-Orem, UT	32%
16	Port St. Lucie, FL	31%
17	Salt Lake City, UT	31%
18	Pueblo, CO	30%
19	Lewiston-Auburn, ME	30%
20	Spokane-Spokane Valley, WA	30%
21	Phoenix-Mesa-Scottsdale, AZ	30%
22	Lakeland-Winter Haven, FL	29%
23	Sierra Vista-Douglas, AZ	29%
24	Homosassa Springs, FL	29%
25	Stockton-Lodi, CA	29%

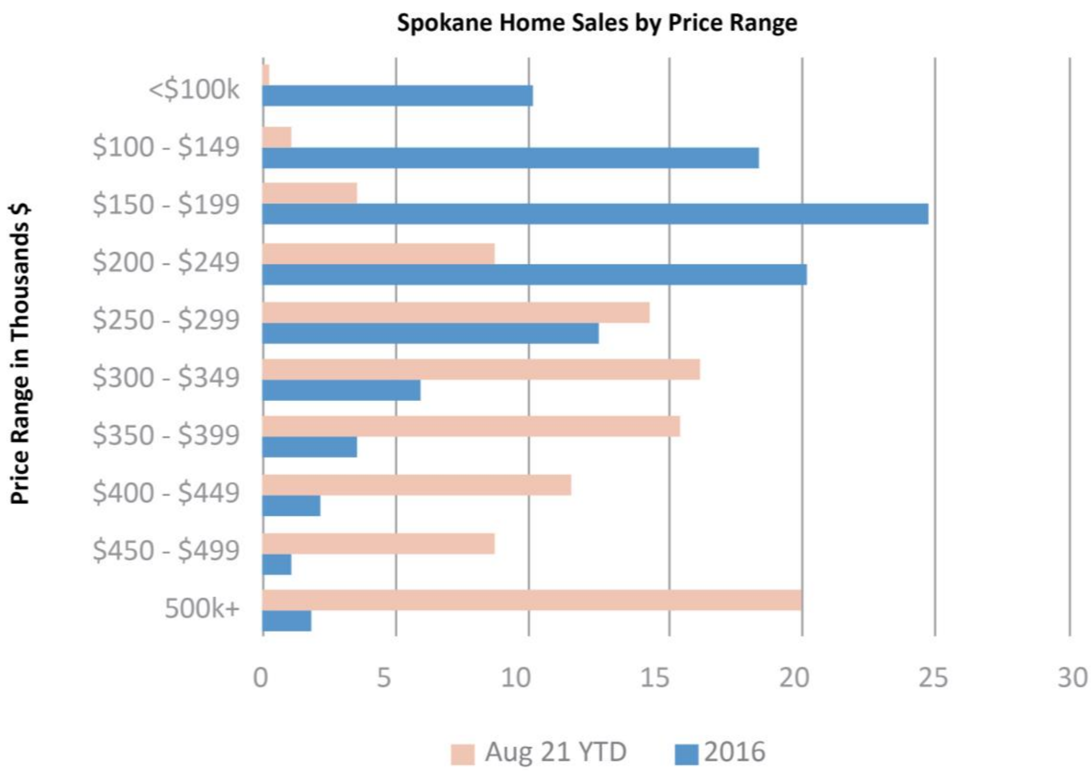
Source: Freddie Mac Home Price Index

The most significant impact of the housing shortage is that a diminishing percentage of workers in the community can afford local housing. The following chart reflects this trend: in 2016, or just 5 years ago, 70% of local employees could afford a $250,000 median-priced home; by 2021, only about 15% of employees could afford what is now a more than $450,000 median-priced home.



Spokane Housing Crisis

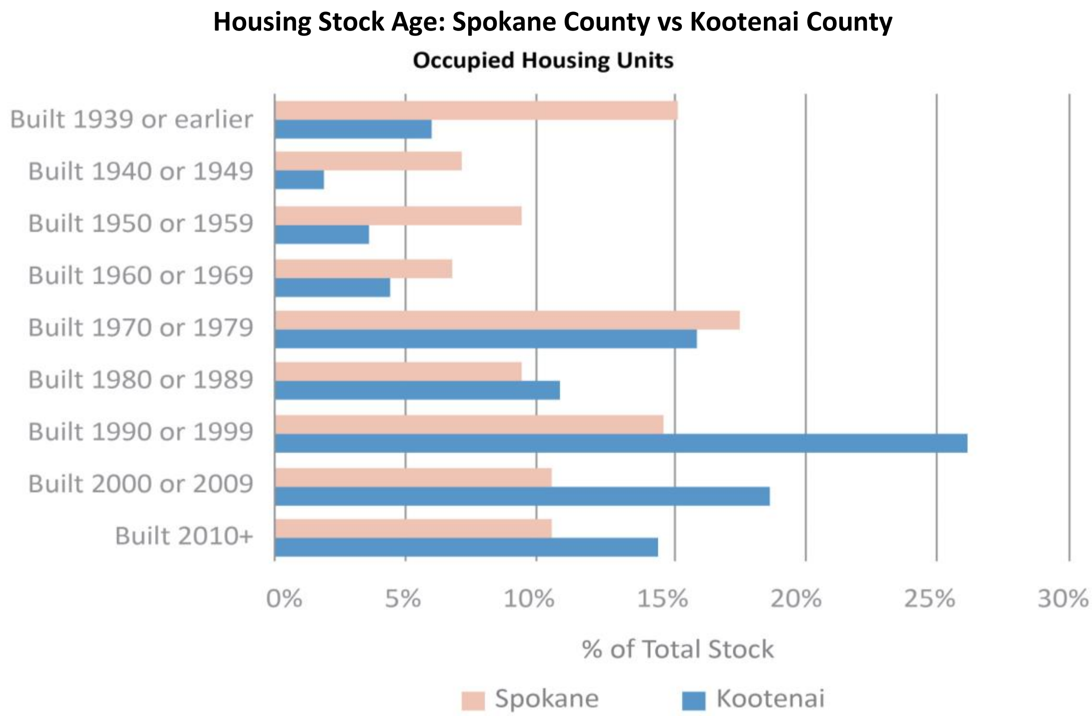
The strength of, and changes in, the Spokane housing market are most readily demonstrated by the significant changes in median house prices in the market. In 2016, the median home price in the Spokane market was $179,000; in 2020, the median home price increased to $300,000. This reflects a 68% increase over only a 4-year period, or an average annual increase of about 17%. Home sale prices increased around 30% in the past year alone in the Spokane area. By 2021, 55.6% of homes sold were priced at $350,000 or higher as compared to only 8.9% sold in this price range just five years ago. Conversely, few entry level homes are now available for sale as compared to more than half of sales occurring at less than $200,000, as shown in the graph below. Inventory levels of available homes listed for sale have declined dramatically, with currently only about a two-week supply of homes available for sale.



Source: Spokane Association of Realtors®

According to the U.S. Census, Spokane is part of the Spokane–Spokane Valley–Coeur d'Alene, WA–ID CSA combined statistical area (SSC CSA), which includes Spokane County, Stevens and Pend Oreille Counties to the north and Kootenai County in Idaho to the east. CSAs are defined by the U.S. Census as areas in which residents have employment connectivity. Spokane city is by far the largest city in the CSA and a hub for commerce, jobs and health care in the broader region. The SSC SCA has grown substantially over the past few decades, more than doubling in population base since

1970, and up by 56% since 1990. While new construction has not kept up with population growth in Spokane, new construction has been pushed east to Spokane Valley and the adjacent Kootenai County in Idaho where 59% of the housing stock has been built since 1990 as compared to only 35% in Spokane County.



As the center of the area's resident population moves further east, traffic congestion is increasing on I-90 and will be difficult to improve. For example, the North Spokane Corridor, which is under construction and is designed to improve freight and commuter north-south traffic along the Eastern border of Spokane by better connecting I-395 to I-90, has been decades in the making, involved multiple levels of local, state and federal funding, and is estimated to cost well in excess of $1 billion.

Apartment vacancy levels are very low also, with an overall vacancy rate of only about 0.5%. With the limited available supply of apartments to rent, rents have also been increasing significantly in the Spokane area.

The limited inventory of houses listed for sale, along with the extremely low apartment vacancy rates, highlights the need for housing of all types across all segments and in all neighborhoods and sectors of the Spokane market.

SWOT Analysis

Strengths	Weaknesses
• People are attracted to the area nationally - area is experiencing population and job growth • Relatively low costs as compared nationally • Interstate highway • Commitment to housing studies involving community feedback • Existing neighborhood councils	• Downtown river not fully utilized as a community gathering and entertainment area • Slow implementation of recommendations from previous housing studies • Slow entitlement process • Current zoning does not support creation of workforce housing • Slow methods for changing same
Opportunities	**Threats**
• Beautiful river downtown with some current retail nearby that could be more fully utilized to create a better community gathering place • Land available within city limits, particularly downtown • Potential government incentives	• State boundary within CSA / Idaho increasing housing faster which stresses infrastructure • Infrastructure, e.g., roads, expensive to expand and maintain • Increasing sprawl will • Homelessness • Climate change

For every weakness there is an opportunity. For example, it is our understanding that there are many in the region who commute more than an hour to work in jobs that match their skill set. It would be ideal if career and training opportunities became available closer to home, before these highly skilled workers relocate.

All these **SWOT** items must continually be taken into account in the development and implementation of a strategy to increase housing availability in Spokane. If new SWOT items are identified, include them. If items change, modify them.

Making Change Possible Through Zoning

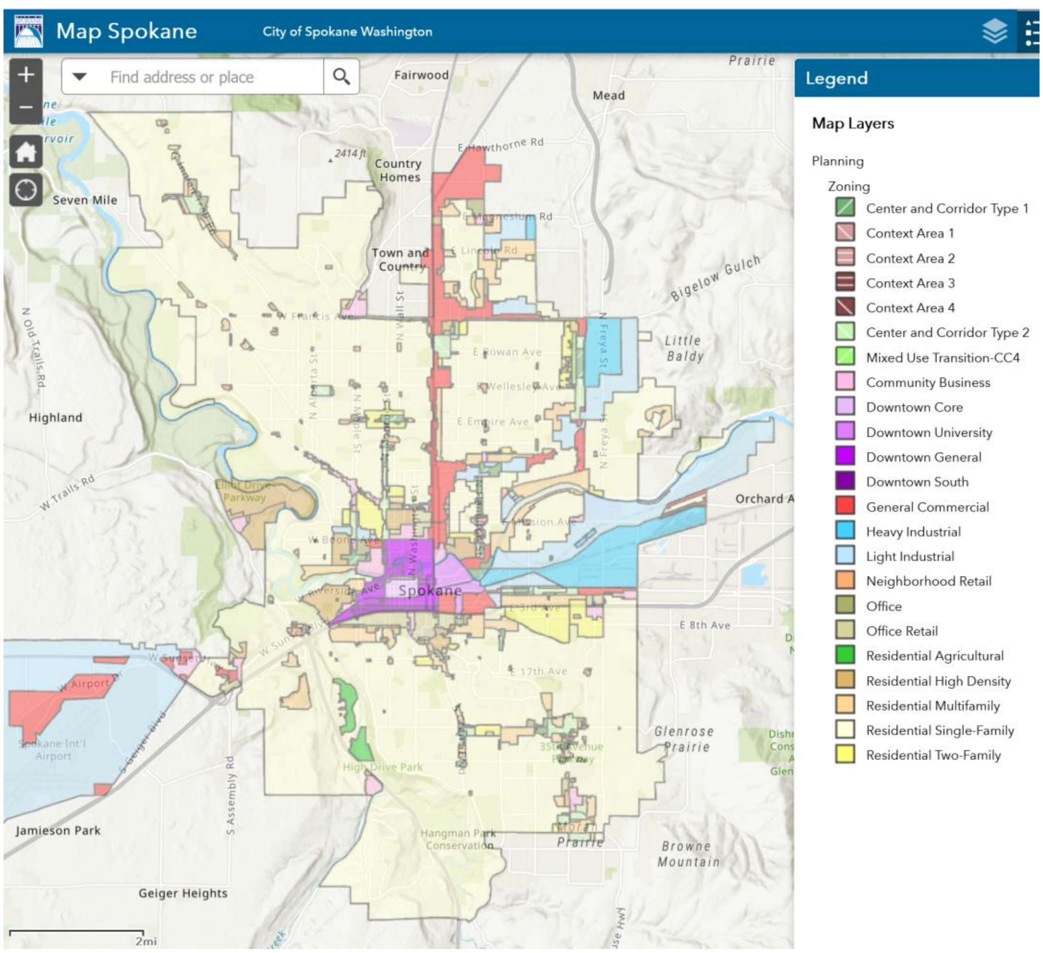
Developers and builders in the Spokane region regularly opined to our Team that no land was available in the city. The Team's impression of the city was not consistent:

- in the central area, vacant/parking lots were quite common,
- in neighborhood centers this was also the case,
- large swaths around the edge of the city were unplatted/unbuilt,
- in single-family zones vacant lots were less common, but single-family zones are extensive, typical lot coverage is low, and some homes were in poor condition.

The Team believes one primary reason for this discrepancy of views lies in the relationship of economically feasible housing production to the Spokane Zoning Code and the processes required to change the Code or achieve exceptions.

Lot Size

The most basic code issue, and the one with the most impact, is the minimum allowable lot size. The vast majority of land in Spokane is zoned single family, RSF. The map below gives an overview of Spokane's zoning, with light yellow indicating the RSF zone.



Other residential zones are:

- RA: Residential-Agricultural
- RSF: Residential Single Family
- RSF-C: Residential Single Family Cottage
- RTF: Residential Two Family
- RMF: Residential Multi-Family
- RHD: Residential High Density

Minimum Lot sizes allowed in all R zones are shown below in Development Standards Table. The critical minimum size is 4,350 sf, or one tenth of an acre, for the ubiquitous RSF zones. The minimum RSF lot width is 40'. "Compact" lots may be as small as 3,000 sf, with a width of 36', in RSF zones within 1,300' of a commercial zone and as part of a development no greater than 1.5 acres.

Development Standards

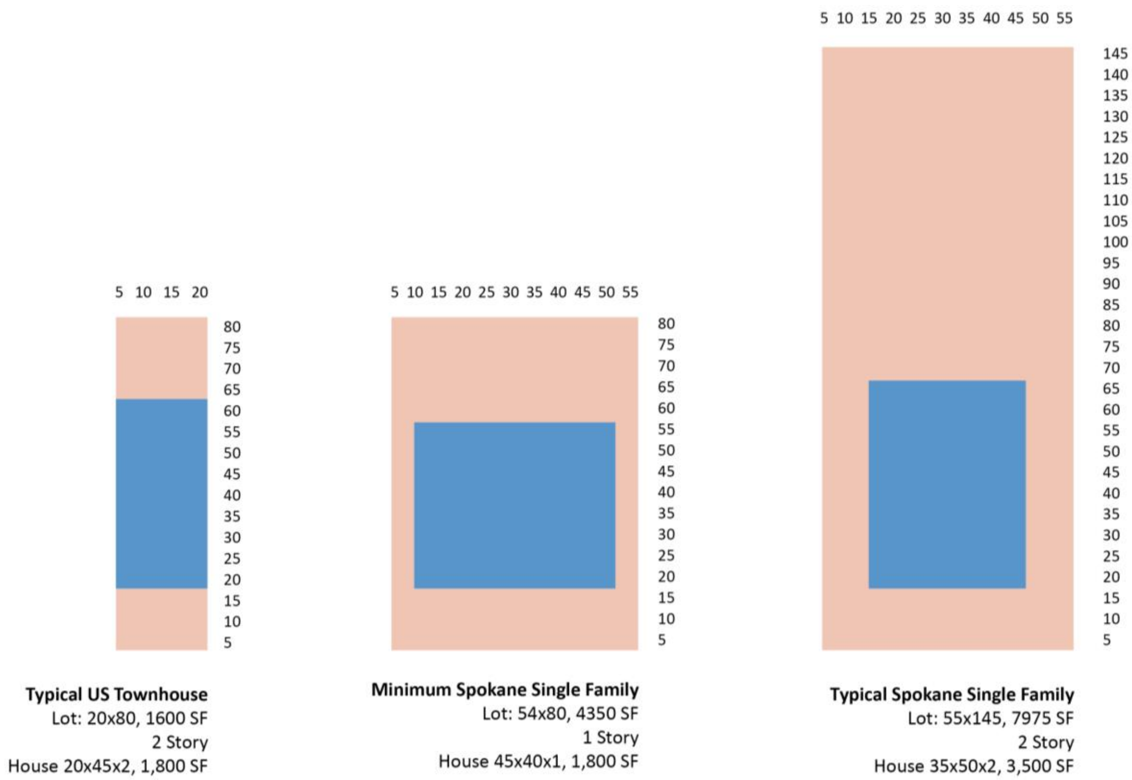
TABLE 17C.110-3 DEVELOPMENT STANDARDS [1]					
DENSITY STANDARDS					
	RA	RSF & RSF-C	RTF	RMF	RHD
Density - Maximum	4,350 (10 units/acre)	4,350 (10 units/acre)	2,100 (20 units/acre)	1,450 (30 units/acre)	--
Density - Minimum	11,000 (4 units/acre)	11,000 (4 units/acre)	4,350 (10 units/acre)	2,900 (15 units/acre)	2,900 (15 units/acre)
MINIMUM LOT DIMENSIONS LOTS TO BE DEVELOPED WITH:					
Multi-Dwelling Structures or Development					
	RA	RSF & RSF-C	RTF	RMF	RHD
Minimum Lot Area				2,900 sq. ft.	2,900 sq. ft.
Minimum Lot Width				25 ft.	25 ft.
Minimum Lot Depth				70 ft.	70 ft.

Minimum Front Lot Line				25 ft.	25 ft.
	RA	RSF & RSF-C	RTF	RMF	RHD
Compact Lot Standards [2]					
Minimum Lot Area [3]		3,000 sq. ft.			
Minimum Lot Width		36 ft.			
Minimum Lot Depth		80 ft.			
Minimum Front Line		30 ft.			
Attached Houses as defined in SMC 17A.020.010					
Minimum Lot Area [3]	7,200 sq. ft.	4,350 sq. ft.	1,600 sq. ft.	1,450 sq. ft.	None
Minimum Lot Width	40 ft.	40 ft.	36 ft. or 16 ft. with alley	Same	Same
Minimum Lot Depth	80 ft.	80 ft.	50 ft.	None	None
Minimum Front Lot Line	40 ft.	40 ft.	Same as lot width	Same as lot width	Same as lot Width
Detached Houses					
Minimum Lot Area [3]	7,200 sq. ft.	4,350 sq. ft.	1,800 sq. ft.	1,800 sq. ft.	None
Minimum Lot Width	40 ft.	40 ft.	36 ft.	25 ft.	25 ft.
Minimum Lot Depth	80 ft.	80 ft.	40 ft.	25 ft.	25 ft.
Minimum Front Lot Line	40 ft.	40 ft.	30 ft.	25 ft.	25 ft.

The chart below, ***Lot Sizes vs House Sizes***, illustrates three alternatives for comparison:

1. Single-family fee-simple townhouses can readily be built on lots 16'x 80' or 20'x 80', 1,200 sf to 1,600 sf. These lots could support home areas of 1,400 sf to 2,700 sf, with 2-3 stories, and could include parking, covered or uncovered.
2. Spokane code-compliant single-family detached houses would require minimum lot dimensions of 40' x 80', but not less than 4350 sf; the same home area is assumed but on one floor.
3. One type of typical Spokane code-compliant single-family detached house is built on a lot 55' x 145 with an area of 7,975 sf. This lot size is close to as large as possible without being dividable, that is, it could not be divided into two code-compliant lots so it must stay as is.

Lot Sizes vs House Sizes



The townhouse style is well accepted by markets in many parts of the U.S., although it is not yet common in Spokane. If townhouse lot sizes were accepted under Spokane code, a typical block in N Spokane of 275' x 600', which now supports 24 single-family homes, could support 60 single family townhouses. Cottage-style single family developments and other "tiny house" or manufactured home developments could similarly provide more homes in the same land area.

For Spokane, the Team focused on ownership using fee-simple ownership solutions. The current legal status of condominiums in Washington State, due to provisions about liability, requires extreme insurance coverage, rendering developing them unprofitable. There are a multitude of methods for adding housing at lower costs in Spokane without attempting to rewrite these state laws; because of Spokane's urgent needs, our Team chose to focus on these other methods. This should not, however, preclude the use of neighborhood associations to handle jointly-owned land or facilities, as long as the individual homes are fee-simple.

Transition Zones

Several areas of the Zoning Code besides those around minimum lot sizes impact the ability to build higher density fee-simple housing. Removing or changing these would facilitate housing development.

The Transition Requirement in SMC 17C.110.200C.1 of the Code intends to require minimum lot sizes that transition from those of adjacent properties, if larger, to those further away. Unfortunately, this has the impact of increasing already large as-of-right lot sizes, creating a chilling effect on housing development.

Short Plats

SMC 17G.060 and SMC 08.02.064B.5 describe the process and fees required to change property lines within a parcel of land. Creating a streamlined process for limited size parcels with city infrastructure in place will add surety and cut time frames for small developments

PUD Requirements

A stellar example of a PUD named Kendall was built along the river in central Spokane. Unfortunately, the current code prevents other such developments, which are sorely needed.

Photos of Kendall taken by Jackie Buhn, CRE.

Legislative Process for Changing the Zoning Code

Spokane's elected officials are all broadly in favor of finding ways to add housing to the region, although it is likely that their specific focusses vary. One method of initiating legislative change is via the state-required 5-year updates to the GMA Plan, which includes a significant housing section. For this update, City Council adopted a ***Housing Action Plan*** in July 2021. City Council added an ***Implementation Plan*** as an amendment to the ***Housing Action Plan*** that included a comprehensive list of actions intended to increase housing production.

While most or all of the recommendations would be useful, prioritization and focus is needed to select and enact the most useful rapidly. A limited resolution, brought forward while the Team was in Spokane, was voted on and defeated, we understand because it did not go far enough. This resolution included the four points discussed above:

1. Decreasing minimum lot sizes throughout RSF zones to 1650 sf, increasing allowable coverage to 70%, and removing lot width minimums;
2. Removing the Transition requirement entirely;
3. Simplifying the process for small replatting permits and making it less expensive;
4. Changing the PUD rules so they can be used.

These changes would likely have a sweeping impact on housing production in Spokane, once the developer and builder community test the changed rules, which would require some time and assistance. Other areas of the code should be addressed as well, specifically areas focused on mid-and high-rise rental housing. It is not clear whether this less-restrictive zoning would be enough to create housing affordable by low-income or workforce-level families, particularly as it would likely spur quick increases in land costs and values. Other supports may be needed.

If and when a resolution such as that described above is passed, it does not immediately become part of the Zoning Code. The City Planning Commission must convene and require the City Planning staff to study, and then create, the changes. Our understanding is that this staff is currently not only without a leader but also overwhelmed with a series of critical responsibilities. Thus, a key next step in increasing housing availability is to support and direct City Planning staff, including with potential new temporary or permanent hires.

Other Potential Housing Approaches

Other reasons for not building housing in the city include those listed below. The third is the most often cited, and relates directly to the disconnect between the third and fourth. Our team has chosen not to address the GMA limits directly, for two reasons: (1) they are political derived, not real-estate based, and (2) changes in the GMA are not only not needed to address the housing shortage, as shown throughout this study, but may worsen it in the long run, as more spread-out housing creates higher intrinsic costs of infrastructure.

1. Readily buildable land is often held by owners who do not currently wish to build, or by the city for various reasons.
2. The state GMA strictly limits development outside the city, and has allotted most of its allowable units inside the city.
3. The city does not wish to expand by annexation, and the GMA discourages this as well, in order to avoid sprawl (see Sprawl is Bad herein).
4. Developers and builders are accustomed to building a certain type of product (e.g., single family on a 1/10-acre lot) and do not wish to re-train.

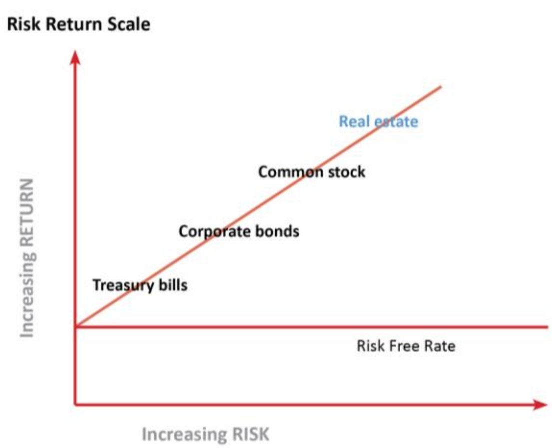
Finally, market pressures may not support denser housing, although this is less likely than it used to be due to the dramatic need nationally for well-located but less expensive housing for the workforce.

Incenting Developers and Builders

Economic Underpinnings

Excessive risk discourages development. A major premise in development is that the reward, typically measured as the return on investment, must be commensurate with risks involved. Any activity yielding less than a safe rate of return, such as that generated by a treasury note, is suspect.

Real estate activity is among the most risky of standard investment types. Within real estate, the least risk is associated with the purchase of an existing asset providing verified income. The most risk is involved with new development.



Following these principles, if the cost and risk don't justify an activity, capital will flow elsewhere. More specifically, the development will simply not occur.

- When value exceeds cost, capital will flow to that activity
- When cost exceeds value, capital will drift away

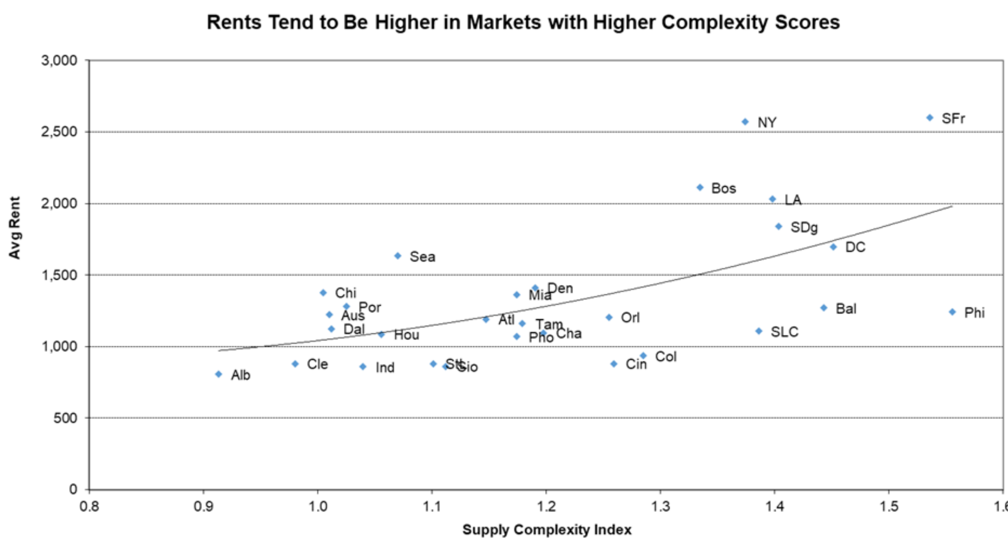
Elements of risk include uncertainty, and the nature of that uncertainty varies by the nature of the real estate activity. Both new development (greenfield activity) and redevelopment (redeployment of existing properties) have uncertainties particular to their character. Having said that, they share a common theme: the greater the uncertainty, the more likely that the risk involved also has a time dimension requiring an even higher rate of return and logically higher costs. For housing, those higher costs are then recognized as higher sale prices or higher rents.

Stated more simply, the more time it takes to build, the less likely that building becomes: TIME kills deals.

In the case of Spokane, uncertainties abound, including but not limited to

- Major growth controls exercised by Washington state;
- Neighborhoods resistant to change;
- Failures to acknowledge social and economic benefits of new housing initiatives;
- Complex and circuitous process of local approvals;
- A lack of urgency from officials regarding approving entitlements,
- Signals supporting but limiting actions advancing more affordable housing; and
- Lack of coordination among area governments that might benefit from actions supporting more affordable housing initiatives.

The only thing worse than a long time frame for development is an uncertain time frame; Spokane excels at both. Achieving a variance from existing zoning requires months if not years. Adding this time and risk to a development project, particularly a small one, is prohibitive. The chart below shows that higher costs correlate with complex entitlement processes.



These challenges are especially difficult ones in a well-defined area where the supply of land is perceived to be limited, requiring developers and builders ("DB" in this paper) to be more thoughtful about their housing strategies and options. It is reasonable to speculate that within the City of Spokane where parcels and policy are strongly influenced by neighborhood context, the housing industry must address:

- Infrastructure
- Context
- Small projects
- Site configuration
- Underwriting

While the risks of development within a discrete setting cannot be entirely eliminated, there are a number of ways to mitigate those risks and favorably influence housing prices. The key to these ideas is:

- Recognizing that these risks and challenges are real;
- Recognizing that they are a barrier to housing production;
- Understanding that the larger community will experience both social and economic benefits by encouraging alternative forms of form of development and activity with incentives sufficient to enhance certainty and promote more rapid action.

A number of ideas are being considered in Spokane but all of them should be weighed, ranked and evaluated with the following ideas in mind:

- Time, risk and perspectives affect outlook;
- Risk is greatest during initial stages;
- Return is significantly affected by the timing of cash infusions or other publicly proffered support;
- Most local governments will be adverse to front end support or assistance, but it is often the most critical;
- If, with support, a development cannot be justified financially, it may be appropriate to rethink the venture.

"We study, we plan, we research. And yet, somehow, money still remains more of an art than a science."

Combining these in a functional strategy is an art form!

For Spokane DBs, quick and predictable approvals of economically feasible plans for housing is the goal. Since Spokane as a whole strongly supports and needs additional housing, this is a goal for the city as a whole. As-of-right zoning with smaller lots would change this picture significantly.

Neighborhoods and Neighborhood Councils

Currently DBs are unable to build middle-density fee-simple housing in Spokane at all because of zoning laws; the smaller lot sizes required are not permitted. Zoning exceptions are cumbersome and would include a public comment period, the support of City Council, the Planning Commission, the Planning Department staff, and the relevant Neighborhood Council.

Some Neighborhood Councils are popularly believed to oppose change in their areas, although this may be a misperception. The Team was able to speak with a member of the Chief Garry Park's Neighborhood Council who relayed that more housing was strongly desired in her neighborhood, and there were many vacant lots on which it could be built. She expressed a desire for less expensive housing and did not object to smaller lot sizes. She characterized Chief Garry Park as a "formica neighborhood, not a granite counter top neighborhood". The Team also spoke with representatives of the Rockwood neighborhood who believed Spokane needed additional housing, but thought of this as occurring primarily in other areas or outside the city.

The entire community, including homeowners, renters, policy makers, neighborhood residents, and DBs, all play a part in the planning and implementation of housing strategies. Ideally, they would all be in agreement about the size and type of houses needed, and would recognize that efficiencies are possible by focusing on smaller houses and lots. The social cost of overconsuming housing (bigger homes on bigger parcels) is that many are priced out of the market for affordable shelter.

Generally, there are clear goals but dynamic tensions.

- Mix of land: uses may encourage multifamily and conflict with zoning practices
- Ownership: does this remain the desired norm
- Mix of price levels: at odds with exclusionary zoning practices
- Good design: often perceived as costly or difficult to define
- Density: Perceived as lowering home values, and is more costly per SF/raises land costs
- Reinvest in existing communities: costly relative to greenfield development
- Make development decisions fair and predictable: loss of control
- Encourage citizen participation: resistance to change

Whatever the specific action, the broader solutions largely center on a new vision for housing, and recognition that all members of the community play a part and fulfill key roles. Comprehensive approaches to housing development may include the long valued standard of the conventional single family home with a large and often environmentally unsustainable landscape, but smaller homes need to be encouraged through land use regulations as well as tax structure. Building size minimums need to be scrutinized regarding their alleged public health and safety benefits. Broad public policy considerations should involve reconsidering the reasons for the priority given to home ownership and should include other forms of housing.

The Team emphasizes that the Neighborhood Councils are a useful way to streamline the public process while giving both individual citizens and DBs fair consideration: the variety of individual interests and mini-groups that may exist within any area can be consolidated into the Neighborhood Councils, providing DBs the clarity and certainty of one-stop-shopping in learning the desires and predilections of a particular area. It is always possible that Neighborhood Councils will fail to fairly represent all their constituents, or that DBs will fail to engage meaningfully with the Neighborhood

Councils, but the framework is a useful start.

Developer/Builder Decision Parameters – Current Situation

This section lays out parameters and examples for economically feasible smaller housing developments, assuming zoning changes discussed above are made. It demonstrates:

- For neighborhoods and citizens, the types of developments that may be possible in their neighborhoods.
- For government officials, what they are enacting for their voters.
- For small DBs, the path to feasible, aka profitable, housing development in Spokane.

This does not address larger developments; these can be handled through PUDs once the Zoning Code is amended. PUD developments and mid- or high- rise developments are typically undertaken by larger development companies that may already understand the proposed changes or have the capacity to update and build to them internally.

This also does not directly address the issue of adding rental units; we are hopeful that more units generally will result in more rentals, although some state laws are currently impairing this process, particularly for smaller owners.

Let's look first at why development is currently happening as it is in the Spokane region. The region has three types of land areas that have distinct requirements:

- Inside the city of Spokane,
- as well as within other nearby Washington State cities
- Outside regulated cities in Washington State
- Outside Washington State, in Idaho

Currently, housing is being built rapidly in Idaho, not at all in areas outside Washington State urban growth zones, more in other regional Washington State urban areas than in Spokane, and least in Spokane. (See the Spokane Housing Crisis section above.) In all of these areas, certain exogenously determined costs are similar:

- The costs of lots that are similarly improved. Lots cost more in urban areas with streets and utilities, but this is offset by the fact that the developer must provide infrastructure in unbuilt areas. The difference then comes down to construction costs, which are similar.
- The cost of construction (assuming the same design and specs). The cost of labor and material are similar across the region; DBs are competing for the same people and products.
- Cost of financing. Lenders are not likely to notice political boundaries specifically, although they certainly take the results of these boundaries into account.
- Costs of sale. Transfer taxes may vary but don't here; commissions are also said to be similar throughout the region.

- Sale price per square foot. Prices for exactly the same built product would be similar, although location ultimately has a significant impact here. The market values, for instance, proximity to transit and work, but devalues proximity to neighbors.

What varies is primarily the time to achieve entitlements and costs of fees and required construction quality. The chart below shows the difference in returns, here calculated as an IRR (internal rate of return) over time. Returns are significantly better in an area with shorter time and building requirements.

TIME vs. MONEY

PROJECT TIME:	6 YRS	4 YRS	2 YRS
HYPOTHETICAL COSTS PER UNIT	**WASHINGTON**		**IDAHO**
Land Cost/lot, Improved	(100,000)	(100,000)	(100,000)
Carry-Opp cost of funds, tax, ins, maint	(4,000)	(2,000)	0
Professional, other Soft	(39,375)	(39,375)	(39,375)
Impact Fees, Requirements	(5,500)	0	0
Code Required Environmental Efficiency	(30,000)	(30,000)	0
Construction	(393,750)	(393,750)	(381,938)
Finance	(32,882)	(32,882)	(32,882)
Costs of Sale	(42,875)	(42,875)	(42,875)
Sale Value	612,500	612,500	612,500
Total (Loss)/Profit	**(35,882)**	**(28,382)**	**15,432**
IRR	**-4.55%**	**-3.65%**	**11.07%**

Assumptions for the above very generalized analysis include:

- House size of 1,750 sf, as part of a larger development
- Construction costs at $225/sf, lower in Idaho due to lower sales tax
- Sales value of $350/sf of house
- Costs of sale at 7%

Returns are a necessary part of creating housing in the private market: DBs must be able to pay potential investors a competitive risk-adjusted amount for investing in their project instead of investing, for instance, in the stock market. DBs must also pay themselves and their staff a risk-adjusted amount for the time and effort required to create the development. Parameters for reasonable returns are often quoted as shown below, but these returns are typically shown as projections and are inaccurate for completed projects. They also vary with other market parameters.

- Acquisition of stabilized asset: 5-10% IRR
- Development in established area: 10-15% IRR
- Development in unproven area: 20-25% IRR

Due to unacceptable returns, it is not currently reasonable to expect housing construction from the private market in Spokane.

The "Missing Middle"

Several factors have led to a shortage of a variety of housing in the United States. The US housing market is undergoing a major shift. Demand for the post WWII era of sprawling subdivisions with single detached homes is changing. Aging baby-boomers are looking to downsize from their 2-story colonials to one-story cottages.

On the other hand, Millennials seek the amenities of the urban center with walkable neighborhoods close to dining, shopping, and cultural attractions. The birth rate is the lowest it's been in decades (US Census). Households are smaller and the number of single person households is expected to increase.

Also, fewer families can afford the traditional single-family detached homes. Close to half of rents and nearly a quarter of owner households are cost burdened and spending more than 30% of their income on housing (Harvard University). The median sells prices for homes continues to skyrocket.

On the developer side, the cost of lumber has jumped since the pandemic. "A recent [National Association of Home Builders] NAHB analysis found that the jump in lumber costs added about $36,000 to the average price of a new single-family home (State of the Nation's Housing, Harvard University, 2021).

Builders are facing barriers to construction with the lack of skilled labor and restrictive development requirements. "A 2018 survey of land use practices in nearly 2,800 communities found that 93 percent imposed minimum lot sizes in their jurisdictions. Some 40 percent of these communities set a one-acre minimum, including 27 percent with two-acre minimums."[i] These factors can drive up the price of development with limited amounts of land and higher material costs.

Solution

The "Missing Middle Housing" is an issue for cities across the nation. The phrase was coined by architect and principal of Optics Design, Dan Parolek, who wrote the book, "Missing Middle Housing." It is defined as, "transformative concept that highlights a time-proven and beloved way to provide more housing and more housing choices in sustainable, walkable places"[ii].

Missing middle housing provides for a variety of housings units, such as fourplexes, duplexes, cottage courts and multiplexes on a single-family home lot. It is built in locations between detached homes and mid to high rise multiple family apartments. It does not focus on income level, but rather form and allows more units to be built on a single-family home lot.

According to the website, "These house-scale buildings fit seamlessly into existing residential neighborhoods and support walkability, locally serving retail, and public transportation options. They provide solutions along a spectrum of affordability to address the mismatch between the available U.S. housing stock and shifting demographics combined with the growing demand for walkability."

A typical structure is 2.5-stories in height and contains 4-8 units. Cottage courts are 4-8 units on a lot and 1.5-strories in height. Such units were common in urban cities prior to the 1940s. However, after WWII when government back loans were plentiful along with large swaths of undeveloped land in the suburbs. Detached single family homes were codified in the exclusionary zoning districts that are prominent today.

Example

Most suburban cities in the US have single family residential zoning with large minimum lot sizes and setback and side yard requirements for detached units. Cities such as Norfolk, VA, Grand Rapids, MI, and Minneapolis, MN, have adopted changes to the ordinances and development process to allow for small-scale development with 4 or more units as a by-right use in single-family residential districts.

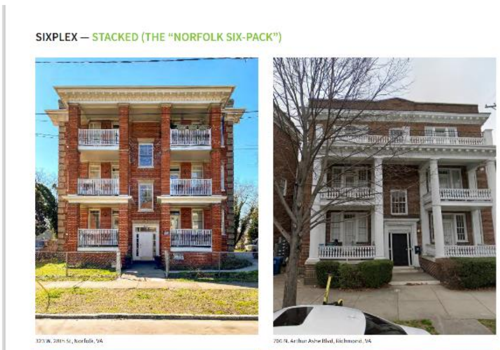
Norfolk, VA, is located on the waterfront in southeastern Virginia. Population is just over 244,000. It is home to a massive naval base, The Naval Station Norfolk, located on Chesapeake Bay. Norfolk faces growing challenges such as sea level rise, aging infrastructure, population growth, and an uncertain regional and global economy. The plans developed in the past focused on preserving the city as it is, rather than provide a new vision to address the challenges of the future. Most of the city zoning districts allow for large detached single-family structures.

Vision 2100 was established by elected officials and planning staff to prioritize infrastructure investments, maintain housing affordability, redevelop underperforming commercial and multiple family residential properties.

The Broad Creek Refresh Study, adopted July 2021, examined the existing land uses, community assets, demographics, and facilities in the Broad Creek Neighborhood. Over the past year in 2020, planning staff held virtual focus groups, online surveys, email, and phone follow up to complete a SWOT (Strengths, weaknesses, opportunities, and threats) analysis of the study area.

According to the plan, "Key themes that were mentioned throughout the public outreach process, regardless of where one lived, were to ensure affordable housing and a variety of housing types, as well as supporting homeownership opportunities so that Broad Creek can be a true neighborhood of choice."

Aging in place was also identified as a priority. Based on Census data, 834 individuals aged 65 and up were concentrated in the study area. The plan also stated, "It is crucial that future residential development ensures ample "aging in place" opportunities so that residents can live within the community throughout their life and have housing options that fit their needs, no matter their age (i.e., single-story homes and ADA accessible homes)." Homeownership, access to public transportation, mixed income diverse neighborhoods with a variety of affordable housing types were desired by residents.



The Planning Department enlisted design firms to conduct a study of missing middle housing with Work Program Architects, GARC, and Dills Architects. The design team created the "Missing Middle Pattern Book," which was approved by the City Council in June 2021. It contains free designs and floor plans for dozens of middle housing types such as, duplexes, quadplexes and the city's iconic "Norfolk six-packs."

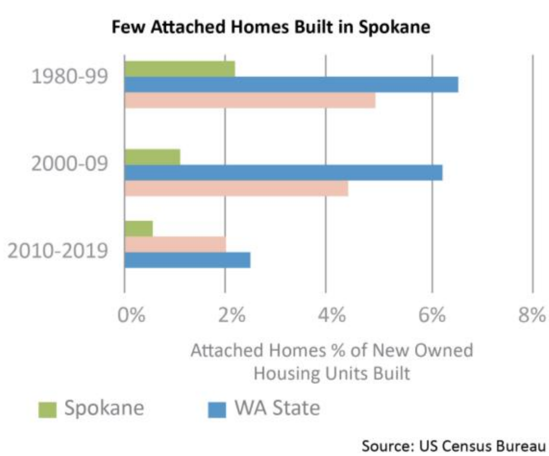
According to the book, "WPA studied the patterns of the turn-of-century Missing Middle, specifically three-packs and Norfolk six-packs. The beauty in these plans is that they are fully modular and can fit on narrow width lots. The number of bedrooms can increase with increases in lot depth and the units can be placed side by side to turn 6-packs into 12-packs, etc. These building types work best when mixed in with single family homes, or as bookends to neighborhood streets, to transition to neighborhood main streets."[iii]

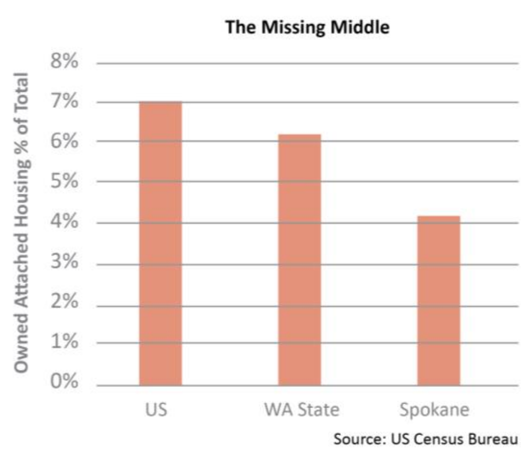
The planning department is also working on pre-approved site plans to be used by builders and developers to build missing middle housing. The complete process is expected by the end of 2021.

Much of what is happening in other cities across the United States and appears to be embraced by the many people we interviewed is the notion of the "missing middle", the housing type that is single family but costs less. "Missing middle" is the expression of ideas outlined and articulated by many in Spokane but not successfully implemented, such as duplexes, townhomes, and small scale apartment buildings.

Missing Middle Housing Types

In fact, only 0.5% of new housing built in Spokane for homeowners over the past decade was attached housing. This rate is only a quarter of the rate of the state of Washington and significantly less than the U.S. average. Moreover, the delivery of attached housing for homeowners has declined steadily over the past few decades and has consistently been significantly lower than either the state or U.S. norms as shown in the graph below.

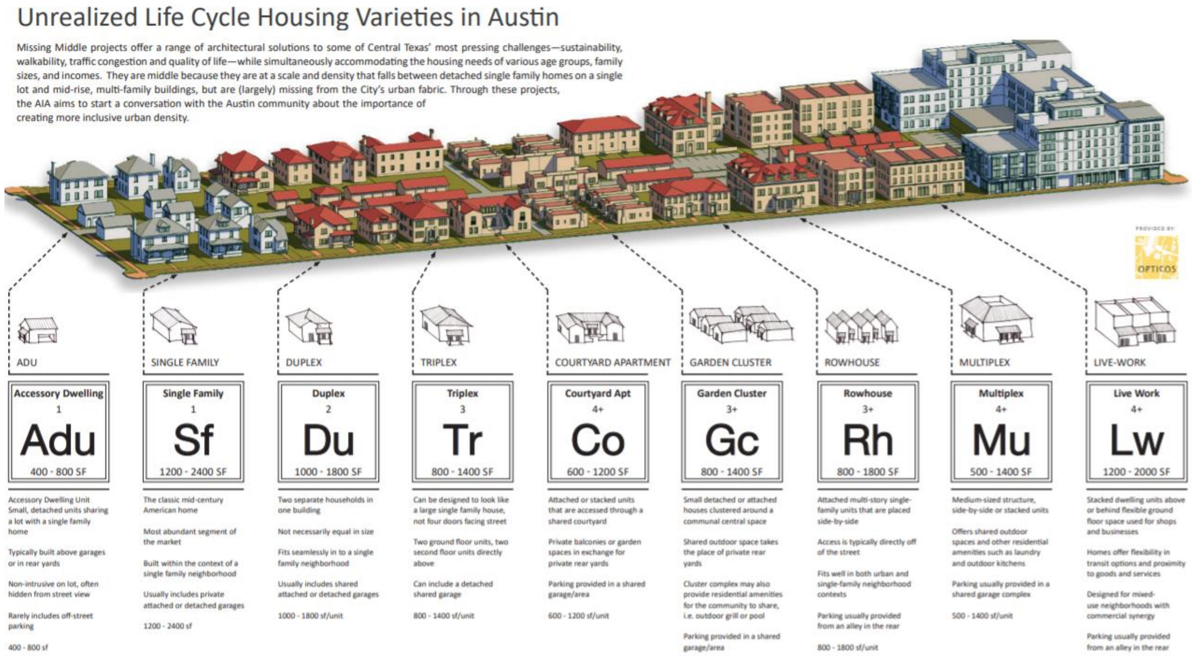




As a result, Spokane is left with few entry-level homes that allow renters to move into homeownership. Furthermore, the extent of Spokane's 'Missing Middle' is significantly lower than both the state and the U.S. average, as only 2.1% of Spokane's owned housing stock is attached as compared to 5.5% for the state and 7.3% for the U.S.

Missing middle prototypes are of simple construction. As depicted in the following images, they are generally of wood-frame construction and low-rise in form. Concrete podiums are usually, but not always, avoided which means construction costs are lower than for larger buildings, and the energy profile of materials is better. They need less parking because they are typically tied to walkable, neighborhood-centric commercial spaces or services, and to transit, possibly lowering or even eliminating the use of cars. They can be inserted on lots in existing neighborhoods, supporting reuse and reinvestment in communities. With the proper design standards missing middle housing can have average densities of 30-50 units per acre while retaining the look and feel of more conventional single-family homes.

By increasing density, even if only at the margin, this concept improves options for families to stay in the city. Missing Middle housing can bring the look and feel of new development, can be a good visual fit, supports social interaction, and re-enforces a sense of place. Such housing less likely to be built by large developers, appealing to the smaller builders whose business practices may be better suited to small incentives provided by local government. Importantly, their smaller scale ideas and implementation strategies may align with the objectives and style in established neighborhoods.


Unrealized Life Cycle Housing Varieties in Austin
Missing Middle projects offer a range of architectural solutions to some of Central Texas' most pressing challenges—sustainability, walkability, traffic congestion and quality of life—while simultaneously accommodating the housing needs of various age groups, family sizes, and incomes. They are middle because they are at a scale and density that falls between detached single family homes on a single lot and mid-rise, multi-family buildings, but are (largely) missing from the City's urban fabric. Through these projects, the AIA aims to start a conversation with the Austin community about the importance of creating more inclusive urban density.
PROVIDED BY
OPTICOS
ADU
SINGLE FAMILY
DUPLEX
TRIPLEX
COURTYARD APARTMENT
GARDEN CLUSTER
ROWHOUSE
MULTIPLEX
LIVE-WORK
Accessory Dwelling
1
Adu
400 - 800 SF
Accessory Dwelling Unit
Small, detached units sharing a lot with a single family home
Typically built above garages or in rear yards
Non-intrusive on lot, often hidden from street view
Rarely includes off-street parking
400 - 800 sf
Single Family
1
Sf
1200 - 2400 SF
The classic mid-century American home
Most abundant segment of the market
Built within the context of a single family neighborhood
Usually includes private attached or detached garages
1200 - 2400 sf
Duplex
2
Du
1000 - 1800 SF
Two separate households in one building
Not necessarily equal in size
Fits seamlessly in to a single family neighborhood
Usually includes shared attached or detached garages
1000 - 1800 sf/unit
Triplex
3
Tr
800 - 1400 SF
Can be designed to look like a large single family house, not four doors facing street
Two ground floor units, two second floor units directly above
Can include a detached shared garage
800 - 1400 sf/unit
Courtyard Apt
4+
Co
600 - 1200 SF
Attached or stacked units that are accessed through a shared courtyard
Private balconies or garden spaces in exchange for private rear yards
Parking provided in a shared garage/area
600 - 1200 sf/unit
Garden Cluster
3+
Gc
800 - 1400 SF
Small detached or attached houses clustered around a communal central space
Shared outdoor space takes the place of private rear yards
Cluster complex may also provide residential amenities for the community to share, i.e. outdoor grill or pool
Parking provided in a shared garage/area
Rowhouse
3+
Rh
800 - 1800 SF
Attached multi-story single-family units that are placed side-by-side
Access is typically directly off of the street
Fits well in both urban and single-family neighborhood contexts
Parking usually provided from an alley in the rear
800 - 1800 sf/unit
Multiplex
4+
Mu
500 - 1400 SF
Medium-sized structure, side-by-side or stacked units
Offers shared outdoor spaces and other residential amenities such as laundry and outdoor kitchens
Parking usually provided in a shared garage complex
500 - 1400 sf/unit
Live Work
4+
Lw
1200 - 2000 SF
Stacked dwelling units above or behind flexible ground floor space used for shops and businesses
Homes offer flexibility in transit options and proximity to goods and services
Designed for mixed-use neighborhoods with commercial synergy
Parking usually provided from an alley in the rear

Developer/Builder Decision Parameters – With Zoning Code Updates

If Zoning Code changes are put in place in Spokane as suggested above, DBs would be able to profitably redevelop smaller parcels, from a single large lot to an assembly of several contiguous lots, in a variety of ways in Spokane. The chart below demonstrates the potential returns for developing housing on two contiguous typical Spokane lots. Clearly, building more units would be more profitable. This is the sort of calculation DBs would be doing, with the right changes to the Zoning Code catalyzing rapid development of mid-density housing.

SPOKANE HOUSING

ROI AND DENSITY ON 2 TYPICAL LOTS

LOT AND UNIT SIZES	ASSUMPTIONS		SINGLE FAMILY	TOWNHOUSES	STACKED APTS	1
NUMBER OF UNITS			2	5	16	
AREA PER UNIT		sf	2,250	1,440	700	
STORIES			1	2	4	
UNIT WIDTH		feet	40	16	20	
UNIT LENGTH		feet	56	45	35	
TOTAL BUILT AREA		sf	4,500	7,200	12,320	
BLDG WIDTH		feet	40	80	48	
BLDG LENGTH		feet	56	45	70	2
FLOORPLATE	10%	common area-apts	2,250	3,600	3,080	
SIDE YARDS MIN	10	feet				
FRONT/REAR YARDS MIN	40	feet				
MIN LOT WIDTH	100	feet	100	90	58	
MIN LOT LENGTH	110	feet	96	85	110	3
NUMBER OF LOTS	50	feet typical width	2	2	2	
LOT SIZE PER UNIT	11,000	sf total lots	5,500	2,200	688	
PROFIT CALCULATION						
LAND COST	2	lots total	200,000	200,000	200,000	
CONSTRUCTION COSTS	250	$/sf	1,125,000	1,800,000	3,080,000	
SOFT COSTS	25%	of constructon cost	281,250	450,000	770,000	
TOTAL COSTS			1,606,250	2,450,000	4,050,000	
SALES REVENUE/UNIT	375	$/sf	843,750	540,000	262,500	
TOTAL SALES REVENUE			1,687,500	2,700,000	4,200,000	
PROFIT			**81,250**	**250,000**	**150,000**	4

NOTES

1. Analysis treats apartments as sale (condos) for comparability only
2. Length is approximate due to unspecified configuration of common areas
3. Typical Spokane lots range from 110-145' in length
4. "Apt" returns are lower than townhouses due to the cost of common area, Property value would increase over time, however, returning a stronger IRR

22 Neptune, 22nd St, Virginia Beach, VA

Other Options: Cottage Developments

The townhouses illustrated above are not the only feasible ways to increase housing in Spokane while remaining appropriate to existing neighborhoods. One scenario particularly suited to Spokane's prevalent single-story bungalow character is "cottage" developments. These consist of small bungalows, tiny houses, or manufactured houses sited in a manner that provides some private outdoor space for each unit, along with larger communal outdoor space and communal parking. Rather than making each unit a condominium, these developments may have fee-simple land with only common areas managed by an association. Smaller lot sizes, with no width minimums and the ability to front on a private street, if written into the zoning code, would facilitate these. Our Team heard from one neighborhood source that Spokane was considering this type of development with the city itself being the landowner, and the occupants owning their structures, in a manner similar to trailer parks. Graphic representations of this type of development follow.

THE COTTAGE COURT — SMALL COTTAGES AROUND A CENTRAL GREEN


East Beach, Norfolk, VA


The Cottage Company, Kirkland, WA


The Cottage Company, Shoreline, WA


Cottage Court at the Cavalier Residences, Virginia Beach, VA

The Cottage Company, Kirkland, WA

The Cottage Company, Bainbridge Island, WA

City of Norfolk

21

Source: Missing Middle Pattern Book

Creating Great Neighborhoods

Housing should always be considered in the context of the culture and needs of the local residents and as only one component of many needed to create quality neighborhoods. In fact, the U.S. Department of Housing and Urban Development (HUD) has three core goals for their Choice Neighborhoods program which is designed to improve distressed neighborhoods:

1. **Housing:** high-quality mixed-income housing that is well-managed and responsive to the needs of the surrounding neighborhood;
2. **People:** Improve outcomes of households living in the target housing related to income and employment, health, and education; and
3. **Neighborhood**: Create the conditions necessary for public and private investment in neighborhoods to offer the kinds of amenities and assets, including safety, good schools, and commercial activity, that are important to families' choices about their community.

Note that only one of the three goals is related to housing, and it is specified as quality, *mixed-income* housing. The mixed-income component allows residents to age, enter the workforce, raise families and support inter-generational links without having to dislocate. Providing for each of these life stages requires a mix of housing types.

What's Wrong with Sprawl?

The Missing Middle quandary is not unique to Spokane. Cities throughout the country have tried various models of housing creation, some more effective than others. For cities with land near the city boundaries, expansion into green fields often seems to be an easy and inexpensive path. However, in the long-run, suburban sprawl has proven to be extremely expensive for city budgets (tax burdens) and a detriment to both functioning neighborhoods (see the HUD principles above) and the health of their residents.

The conception of the U.S. Interstate Highway system in the 1950s and subsequent expansion of housing into suburban neighborhoods had many benefits, but also provides many learning points about low density housing and suburban sprawl, specifically:

- Per the EPA, a typical passenger vehicle emits about 4.6 metric tons of carbon dioxide per year[iv].
- Commuters lose approximately $1,400 per year in costs and lost time[v].
- Extreme congestion creates stress, to the point that it is correlated with increased night-time violence.[vi]

The Texas A&M Transportation Institute Urban Mobility Report cites a vicious cycle – sprawl creates stress, so jobs move to the suburbs to be closer to residents. Residents then move further out and maintain a similar commute. This creates an ever-expanding donut of growth out from the city center, which leaves low-income residents stranded from jobs and stresses infrastructure, including roads, police, fire and such. Higher costs needed to support that infrastructure have resulted in ballot measures to increase taxes on sales, income, property and gas in multiple cities. The best solution to avoid this pressure is to return people and jobs back to urban locations.

In Spokane, the results of sprawl towards Spokane Valley and Idaho are already being seen through rising commute times and traffic on I-90. New jobs are occurring more towards the west with 1,200 new employees at the Fairchild Air Force Base and 4,000 new employees at Amazon. With housing heading east, the EPA estimates that 4.6 metric tons of carbon dioxide are being emitted per commuter from Idaho. Additionally, the DOT estimates that the expansion of I-395 North will cost in excess of $1 billion. This funding comes from a variety of local to federal funding mechanisms including gasoline taxes which raise costs of living for local residents. Thus, creating housing closer to new employers can be highly beneficial to Spokane city as well as the metropolitan area.

Benefits of Higher Density Developments

Not only is there compelling evidence that increased density does not hurt property values of nearby neighbors: researchers at Virginia Tech University have concluded that over the long run, **well-placed market-rate apartments with attractive design and landscaping actually increases the overall value of detached houses nearby.** They cite three possible reasons:

- First, the new apartments could themselves be an indicator that an area's economy is vibrant and growing.
- Second, multifamily housing may increase the pool of potential future homebuyers, creating more possible buyers for existing owners when they decide to sell their houses.
- Third, new multifamily housing, particularly as part of mixed-use development, often makes an area more attractive than nearby communities that have fewer housing and retail choices.

Public Safety

- Arizona researchers found that when police data are analyzed per unit, apartments actually create less demand for police services than a comparable number of single family houses.
- Higher-density developments can actually help reduce crime by increasing pedestrian activity and fostering a 24-hour community that puts more "eyes on the street"[vii] at all times.
- ULI study of different housing types in Greenwich, Connecticut, shows that higher-density housing is significantly less likely to be burglarized than single-family houses.

Environmental Benefits

- Higher density development offers the best solution to managing growth and protecting clean air and clean water.
- Placing new development into already urbanized areas that are equipped with all the basic infrastructure like utility lines, police and fire protection, schools, and shops eliminates the financial and environmental costs of stretching those services farther and farther out from the core community.
- Compact urban design reduces driving and smog and preserves the natural areas that are assets of the community: watersheds, wetlands, working farms, open space, and wildlife corridors.
- Two studies completed for the State of New Jersey confirm that compact development can achieve a 30 percent reduction in runoff and an 83 percent reduction in water consumption compared with conventional suburban development.
- Increasing density not only improves air and water quality and protects open space but also redirects investments to our existing towns and cities.

Community Benefits

- It can revitalize existing communities and create more walkable neighborhoods with access to public transit and hiking and biking trails.

- Communities that do not provide housing for all income groups become less desirable corporate locations.

Services

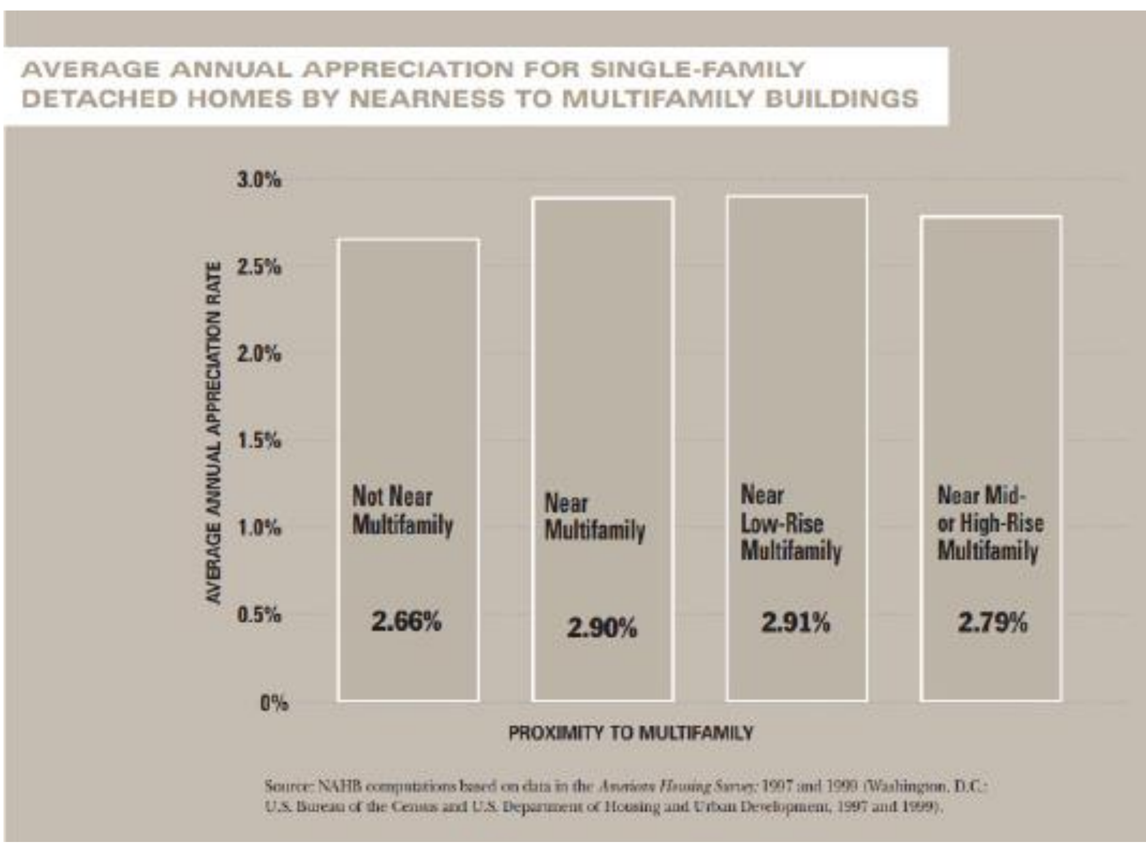
- With higher density secondary and tertiary benefits are almost certain to be derived with more diverse services and small businesses.
- Increase households make a community more attractive for a wider range of services neighborhood, which require a certain number of rooftops to locate.
- Increases in population attract larger businesses to the region.
- These factors are important to a stable and robust community and tax base.

Employment

- Denser communities increase local employment, which benefits all ages from teens looking for first time jobs to seniors looking for ways to support the community and themselves
- As big box distributions centers continue to locate in the area, Spokane needs to be competitive in providing housing for those who are relocating and its competitive reach with current residents who might consider looking elsewhere due to cost and convenience.

Arts, Culture and Entertainment

- Diverse neighborhoods bring the artistic class with them. Artists bring special opportunities for business and communities, benefiting everyone.
- Growing populations, bring theaters, galleries, parks and other types of recreation to support thriving communities.



The following case studies come from *Higher-Density Development: Myth and Fact* by Richard M. Haughey, published by ULI–the Urban Land Institute, 2005.

PROFILE

MCCAFFERY INTERESTS

Located within walking distance of a Washington, D.C., Metro stop, the Market Common provides housing, offices, retail, and restaurants on a ten-acre site that was formerly a parking lot.

The Market Common Clarendon

Located on the site of a former parking lot and occupying roughly ten acres of land, the Market Common in Clarendon, Virginia, just outside Washington, D.C., provides 300 Class A apartments, 87 townhouses, 100,000 square feet of office space, and 240,000 square feet of prime retail space. Located within walking distance of the Orange Line of Washington's extensive subway system, residents can leave their cars parked while they take public transit to work. They can also walk to a Whole Foods grocery store adjacent to the highly successful development. Prominent national retailers occupy the ground level of the building, and structured parking is provided. The compact development form of the Market Common promotes walking, biking, and using public transit over autos. The apartments are attractive to young professionals without children, lessening the impact on the county's school system. The project is the result of a successful collaboration of McCaffery Interests, Arlington County officials, and citizens of the Clarendon neighborhood; it has spurred new retail, office, and residential construction on neighboring sites.

Highlands' Garden Village

Built on the site of the Elitch Gardens amusement park in Denver, Highlands' Garden Village is a walk able, transit-linked community and a financially viable model for environmentally responsible infill development. New York–based developer Jonathan Rose & Companies developed single-family homes, townhouses, seniors' and multifamily apartments, cohousing, offices, and retail space on the site. At the center, a historic theater and carousel from the original amusement park are being transformed Highlands' Garden Village reuses some structures from the amusement park previously located on the site. The compact development, combined with a variety of uses and housing types, uses public infrastructure more efficiently than low density sprawling developments,

Into a community performing arts center and a walking labyrinth. Berkeley, California–based Calthorpe Associates designed a plan that put new homes on three sides of a square-shaped village and a commercial "main street" on the fourth. Restaurants, studios, and shops line the street with live/work townhouses and offices above, giving residents the opportunity to live, work, and shop in the same community. The proximity of amenities, location near downtown, and convenience of public bus lines encourage people to walk and reduce travel costs.

Echelon at Lakeside Echelon

Echelon at Lakeside Echelon at Lakeside is the only multifamily development in an upscale, master-planned single-family suburban neighborhood of Lakeside on Preston in Plano, Texas a suburb of Dallas. Florida-based developers Echelon Communities, LLC, overcame initial community opposition from area residents through high-quality innovative design. The award-winning architecture blends seamlessly with the surrounding neighborhood's traditional style. Larger-than-normal floor plans, individual entries, and attached garages combine to mirror the estates in the surrounding communities. Although street elevations make the buildings appear to be one single family home, they actually house several multifamily units. Memphis-based architects Looney Ricks Kiss used five building types and three building styles. All units include high-quality interior finishes; community amenities include a resort-style pool, fitness facility, clubroom, business and conference center, and full-time concierge.

The award-winning apartments at Echelon at Lakeside were designed to blend with the neighboring luxury homes

P R O F I L E

HAILE PLANTATION CORPORATION

Haile Plantation

Haile Plantation is a Gainesville, Florida, icon. Although it is denser than surrounding communities, the values of homes in Haile Plantation are often higher than the values of houses in neighboring lower-density communities, because the traditional neighborhood design employed there makes Haile Plantation more desirable and valuable. Beginning with the master plan in 1979, Haile Plantation has been called one of the first new urbanist communities in the country. Developers Bob Rowe and Bob Kramer in conjunction with the Haile Plantation Corporation developed the 1,700-acre site to include more than 2,700 units, ranging from single-family homes to townhouses and garden apartments. The sense of community has only grown with the expansion of the development to include a town center, a village green, trails, civic uses, and offices. Indeed, it is density and diversity that together add value to this popular Florida community.

Homes in Haile Plantation sell for more than neighboring homes because prospective buyers view the traditional neighborhood design as a valuable and desirable amenity.

PROFILE

Westminster Place

Although today Westminster Place is a thriving, safe community in midtown St. Louis, it was not always the case. The area, approximately 90 acres, was well known by the St. Louis police department for its high rate of violent crime, which led to the area's becoming blighted. McCormack Baron Salazar, a St. Louis–based developer, brought the community back through the addition of higher-density mixed-income housing comprising affordable and market-rate units. The master plan included for-sale and rental housing, garden apartments, townhouses, single-family homes, and even an assisted living facility for seniors. A new community pool, a bustling retail center, and a magnet school are included as well. The new plan slowed traffic through the community, added landscaping and street and parking lot lighting, and new "eyes on the street," making it more difficult for criminals to go unnoticed. The area blossomed into a place where people once again feel safe walking. The success of the community spurred the revitalization of surrounding areas.

MCCORMACK BARON SALAZAR

Increasing the housing density, adding some market-rate housing, and developing a design that slowed traffic and added additional lighting changed Westminster Place from a crime-ridden neighborhood to a thriving, safe community.

East Village

East Village is a small urban revitalization project on the edge of downtown Minneapolis. Before the project was built, the neglected 2.9-acre site contained several deteriorating rental homes, old commercial buildings, and abandoned surface parking lots. The neighborhood wanted to improve the area and the image of one of the city's oldest neighborhoods, Elliot Park. The developers of the project, Central Community Housing Trust and East Village Housing Corporation, developed the new mixed-income housing and commercial community to encourage a sense of community and ownership. East Village now features community green space, pedestrian paths, and neighborhood businesses. Buildings surround the greenway that leads to Elliot Park, a city park with year-round activities and a community center. Brick, bay windows, and French balconies complement historic buildings in the area. In addition, all buildings have multiple entrances to encourage interaction among neighbors. An underground 350- space parking garage frees up space for landscaped areas. This once neglected area has won two awards for innovation and design and become an exceedingly successful vibrant and safe community.

Prairie Crossing

Prairie Crossing The developers of Prairie Crossing, George and Vicky Ranney, saved $1 million in infrastructure costs through environmentally sensitive design. The 677-acre conservation community is located in Grayslake, Illinois, 40 miles northwest of Chicago and one hour south of Milwaukee. The community features 350 acres of open space, including 160 acres of restored prairie, 158 acres of active farmland, 13 acres of wetlands, a 22-acre lake, a village green, and several neighborhood parks. Houses are sited to protect natural features such as hedgerows, native habitat, and wetlands. Designed with colors and architecture inspired by the landscape, every home has a view of open space and direct access to ten miles of on-site walking and biking trails. Wide sidewalks, deep front porches, and rear garages encourage neighbors to meet. The homes were built with U.S. Department of Energy–approved green building techniques. As a result, they are 50 percent more energy efficient than other homes in the Chicago area, and they sell for a 33 percent sales premium. Station Village is the last phase of Prairie Crossing. When complete, it will include residential, retail, and office space, all within walking distance of two commuter train stations. Residents can ride Metra's North Line to Chicago's Union Station or the Central Line to downtown Chicago and O'Hare Airport

PROFILE

Post Riverside

Atlanta is often called the poster child for suburban sprawl. However, it is also the home of Post Riverside, a revolutionary new mixed-use pedestrian-oriented community developed by Atlanta-based Post Properties, Inc., and located on the banks of the Chattahoochee River between Atlanta's bustling Buckhead and Vinings communities. As is the trend nationally, 65 percent of all vehicle trips in Atlanta are to run errands, not to commute to work. With offices, shops, and restaurants within walking distance of the apartments, Post Riverside residents depend on autos much less than their neighbors in lower-density areas. In addition, the community is connected to Atlanta's MARTA subway system and the Cobb County transit system. This award-winning 85-acre mixed-use development includes 25,000 square feet of retail space, 225,000 square feet of office space, and 535 apartments, all designed around a gracious town square. For many people, this amenity-rich, low-maintenance lifestyle better suits their needs than a traditional single-family home in a low-density neighborhood.

POST PROPERTIES, INC. PHOTOGRAPH ©STEVE HINDS

Post Riverside in Atlanta demonstrates that higher-density development can be attractive and successful in a community known for lower-density development.

Rollins Square effectively provides housing for low-, moderate-, and high-income households in one attractive development that is well integrated into the existing community.

Rollins Square

Rollins Square, a mixed-use development in Boston's South End, is a truly mixed-income community that provides housing for a wide spectrum of people in all income brackets. Twenty percent of the overall units are reserved for people whose income is 30 to 60 percent of the Boston area median income (AMI), 40 percent are for-sale condominiums reserved for working households with incomes 80 to 120 percent of the AMI, and the remaining 40 percent are market-rate units sell ing for up to $750,000. The residences occupy two city block and integrate seamlessly into the existing neighborhood. The varying heights and diverse exterior materials give the appearance that the development was constructed over time. Rollins Square was developed by the Planning Office for Urban Affairs, Inc., a nonprofit developer associated with the Archdiocese of Boston.

PROFILE

I'On

I'On is a 244-acre master-planned community along the deep-water marshes of Hobcraw Creek in Mount Pleasant, South Carolina. Just six miles east of Charleston, the community features 700 single-family homes, community facilities, and a small-scale commercial area. Vince Graham, principal with the I'On Company, is developing six residential neighborhoods connected by narrow streets, pedestrian corridors, and community spaces. An I'On Guild member, one of 18 builders selected for experience, talent, and financial strength, builds each individual home. The architecture is inspired by classic Lowcountry style with large balconies, deep front porches, and tall windows on even taller homes. Homes now sell for $685,000 to $1.7 million. Community facilities include I'On Square, I'On Club, the Creek Club, and the Mount Pleasant Amphitheater. Residents also enjoy easy access to the Cooper and Wando rivers, the Charleston harbor, and the Atlantic Ocean. One neighborhood boat ramp and four community docks are available for crabbing and fishing. Two miles of walking trails are available for residents; a five-acre pond, the Rookery, is a protected nesting site for wading birds. In addition, the public and private schools in Mount Pleasant are some of the best in the area.

I'ON COMPANY

Some home prices in the well-planned higher-density community of I'On are approaching $2 million. The traditional neighborhood design combined with the community amenities made possible by higher densities have made the community one of the most desirable in the Charleston area.

Case Studies

Streamlining the Development Process: Grand Rapids, MI

The City of Grand Rapids is the second largest city in the state of Michigan with over 190,000 residents. It encompasses an area of approximately 45 square miles. Grand Rapids is in west central Michigan, roughly 30 miles east of Lake Michigan, only 25 miles east of the lakeshore communities of Holland, Muskegon, and Grand Haven. (Website November 22, 2021, www.grandrapidsmi.gov)

The Grand River, a major state waterway, runs through the city's center. Fifteen colleges and affiliate colleges call it home. Other attractions include Beer City USA, museums, a wealthy array of performing arts, and home to the regionally known ArtPrize festival. It has a vibrant downtown with markets, dining, cultural attractions, local sports and a nearby international airport.

Redevelopment Ready Communities® is a voluntary technical assistance initiative created by the State of Michigan through Michigan Economic and Development Corporation (MEDC) to streamline the development process of municipalities. "Redevelopment Ready Communities® (RRC) is a certification program supporting community revitalization and the attraction and retention of businesses, entrepreneurs and talent throughout Michigan. An important component is actively engaging stakeholders and proactively planning for the future. This proactive process with community, public and private stakeholders syncs the projects and the people, increasing the likelihood of success while attracting projects "that create places where people want to live, work and invest." The resulting bottom line from this streamlining process is over $5 billion in investment since its implementation in 2002.

The program aligns the master plan, zoning ordinance, development review and permitting processes of local governments. Developers and contractors benefit from transparency during the review and approval process for new construction and rehabilitation projects. In addition, community engagement and collaboration solidify the transparency of the development process. Communities also must have a mechanism in place to facilitate equity and access to their local boards with recruitment and training of officials from diverse backgrounds in their city.

The Redevelopment Ready Communities® process is guided by four pillars: guiding principles, mission, vision, and customer experience. These help to provide a consistent yet customized experience for each community, factoring in differences such as population, existing development patterns, staff capacity, financial capacity, and other local challenges or strengths."

The Guide further states, "RRC Guiding Principles: These principles guide how RRC is designed and implemented at a programmatic and local level: 1. Community driven 2. Predictable 3. Implementable 4. Proactive 5. Equitable 6. Collaborative."

Participation in the process requires the approval of the governing body of the local municipality. The Grand Rapids City Commission agreed to take part in the Redevelopment Ready Communities (RRC) program in August of 2015. The RRC program promotes effective redevelopment strategies through a set of best practices. It also certifies communities that use transparent, predictable, and efficient development practices.

That fall, in October of 2015, a self-evaluation was submitted, and the city applied for certification. Over the next year and a half, the RRC program staff reviewed their development practices. In March 2017, they were presented with a report of findings which showed the city had already implemented two-thirds of the best practices.

The implementation of the RRC program recommendations was completed in February of 2018. Rather than modifying their development practices, this process allowed them to validate and enhance them. Grand Rapids became the 21st community in Michigan to be RRC certified on May 21, 2018, obtaining formal recognition that the community has a vision for the future and practices in place to get there.

Grand Rapids aligned its economic development strategy with the principles of the RRC program. The strategy provided an overarching plan with goals focused on improving the economic health of the community. The strategy is organized under the guiding principles of a booming and diverse economy, robust employment and job growth and access to economic opportunity. Lastly, the City of Grand Rapids created an online interconnected guide to development.

The development center is a physical and virtual location where developers, business owners or residents can readily find information on permits, agendas, and relevant zoning information. As stated in the RRC Certified Grand Rapids Certification report, "The process flowchart and development project process generator are key features that will surely assist City of Grand Rapids on continuing to streamline the development process."

The city also provides an online portal for residents to apply to the various boards and commission, ensuring that public service is accessible to any resident that meets the qualifications.

The RRC best practices implemented by Grand Rapids required to streamline their development process included the following:

Best Practice 1.1 Plan Evaluation

RRC guidelines evaluates how the vision for redevelopment and community planning are embedded in plans such as the master plan, downtown plan, and capital improvements plan. The Michigan Planning Enabling Act (MPEA), Public Act 33 of 2008, mandates the planning commission to approve a master plan as a guide for development. The commission must review the plan at least once every five years after adoption. This review and Grand Rapids Master plan allow specific plans, that focuses on transit, walkability, recreational land use categories and design guidelines for development character that complies with the master plan. A public engagement plan was established that includes identifying diverse stakeholders, utilizing various methods of engagement, sharing results of public meetings, and providing information regarding plans for the public to review. The methods for carrying out this objective vary from traditional and proactive outreach and engagement activities, including but not limited to charrettes, community workshops, focus groups and social networking which is evident from recently adopted documents." (RRC Certified – Grand Rapids Certification Report 2018 page 7)

Practice 2.1 Zoning Regulations

The Grand Rapids zoning ordinance was adopted in 2007 and amended in 2017. The ordinance is used to implement the land use categories and patterns of development as outlined in the master plan.

- The zoning code can be found online under the city's planning page. The zoning ordinance may be downloaded for the city's planning page for free to save or print a copy. "A visually appealing 10-step illustration is also provided to show a resident, applicant or potential investor how to use the zoning ordinance." (RRC Certified – Grand Rapids Certification Report 2018 page 8)

Best Practice 3.1—Site plan review policy and procedures

The city's site plan review policies, project tracking and availability of development information is evaluated by the RRC policy to ensure it aligns with the zoning ordinance and provides information on the progress of projects.

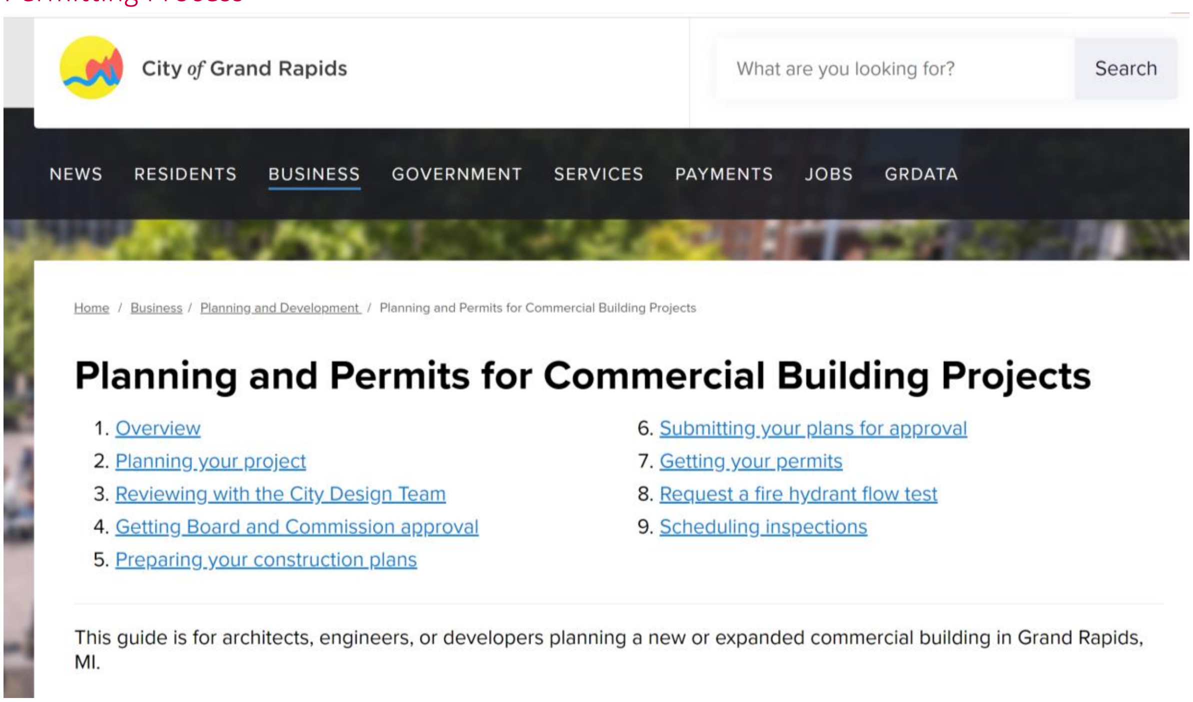
- "An efficient site plan process is integral to being redevelopment ready and can assist a community in attracting investment dollars. The framework for City of Grand Rapids site plan review process is clearly documented under Title V, "Zoning and Planning Ordinance," including the roles of the governing body, staff, zoning board of appeals and the planning commission." (RRC Certified – Grand Rapids Certification Report 2018 page 9)
- "Project status transparency through use of the web-based tracking tool provides greater likelihood of a smooth and predictable experience for developers, residents and business owners, and offers Grand Rapids a competitive advantage for attraction of new investment." (RRC Certified – Grand Rapids Certification Report 2018 page 9)

Best Practice 3.2 Guide to Development

RRC certified communities must provide clear and accessible information regarding the development process in their municipality. Traditional, a development process can be long with input from the community and approvals required by a variety of departments.

- "Development materials should be assembled to help citizens, developers and public officials gain a better understanding of how the development process works. City of Grand Rapids has assembled all required documents into their webpage, "Development Center." Finding all the information in one place so doing business with the city is easier." (RRC Certified – Grand Rapids Certification Report page 18)
- The fee schedule is reviewed annually during the budget process to ensure that costs are fair and affordable for their customers.
- Building permit fees and land-use development service fees are listed on the development center webpage.
- The fee calculator tool is also on the website, so applicants can get an estimate of their building permit fees. Credit cards can be used to make payment for development fees rather than a check.

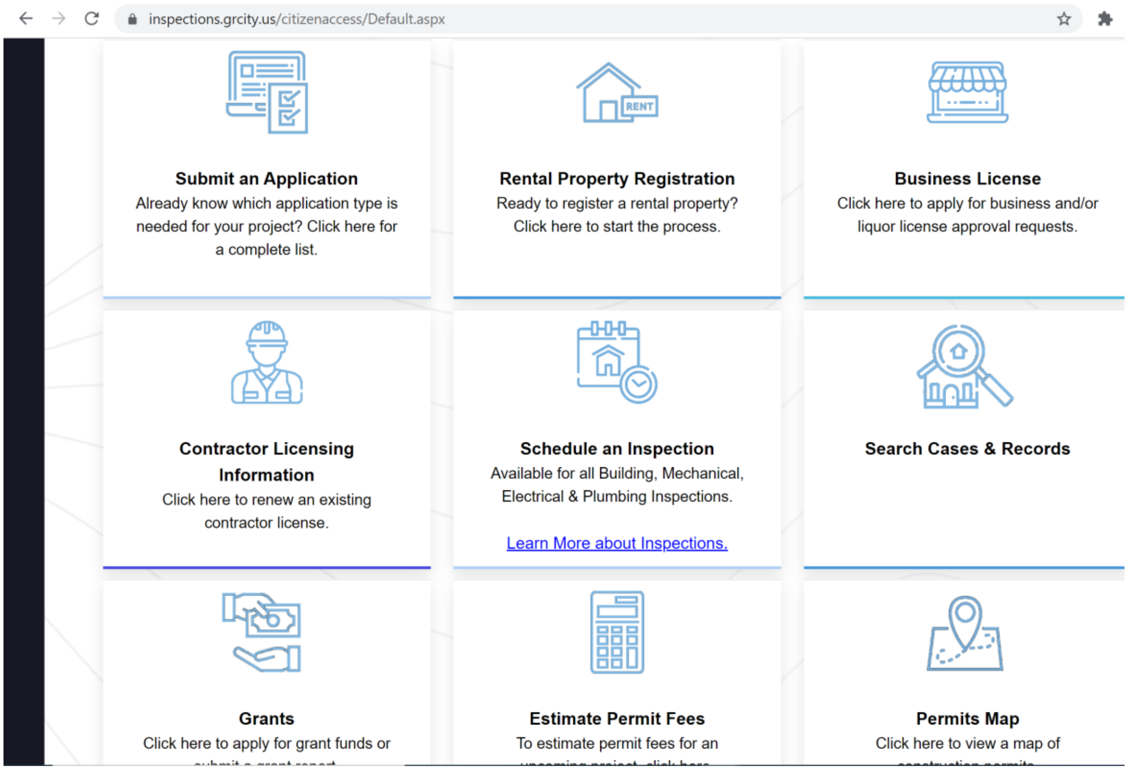
Permitting Process



Grand Rapids instituted a Development Center, which walks developers and professionals through available planning resources. Visitors learn what is needed to get approvals for their projects, obtain permits for the work, complete the inspection process, and get the Certificate of Completion or Certificate of Use and Occupancy to open for business. The link to the Development Center video is here: https://youtu.be/VfxpZJItuMc.

The Development Center brings together people from Planning, Engineering, Code Compliance, Fire Department, and others to make it easier to build or renovate buildings in Grand Rapids. Informal design review meetings are available to a development team to obtain feedback and ask questions regarding the various aspects of their proposed project.

Website



Grand Rapids' website is accessible and interactive. The Business tab provides pages for renovation projects or new construction. The website features a citizen access portal where users can upload plans for building permits, business license, register rental property, schedule inspections, contractor licensing, apply for grants, and estimate permit fees. a tool called

Contractors are required to obtain a Grand Rapids contractors license in addition to being licensed with the State of Michigan. All trades must register, take an exam, and apply with the city to be considered licensed.

Building Eye is another feature that visualizes where development plans and building projects are happening in the city. Users can see what projects have permits. Another feature includes a planning map, which visualizes the locations of planning, land use and zoning applications.

Conclusion

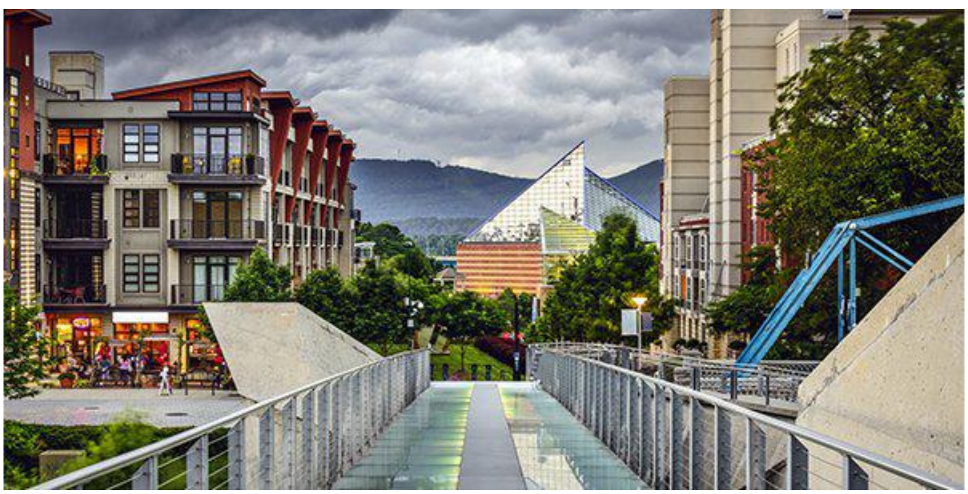
The RRC program incorporates the Michigan Planning Enabling Act and Zoning Enabling Act for communities to review and amend their master plan and zoning ordinance on a consistent basis. The certification solidifies the changes needed to provide streamlined development review processes with fair and clear development fees.

RRC certification positions communities to receive and act upon development proposals in a timely manner while improving the quality of life for its residents.

Sources

State of Michigan – Michigan Economic Development Corporation - https://www.miplace.org/programs/redevelopment-ready-communities/
Redevelopment Ready Best Practices Handbook
(Certified Redevelopment Ready Report – Grand Rapids Redevelopment Ready Certification Report 2018 pg. 1)

City of Grand Rapids Website www.grandrapidsmi.gov
Certified RRC - Grand Rapids Certification Report 2018



Downtown Chattanooga, TN

Reinventing the Downtown: Chattanooga, TN

Once a large manufacturing hub, Chattanooga found itself with the most polluted air in America by 1997. Reeling from a loss of manufacturing jobs and a hollowed-out city center, residents moved to the suburbs to flee the air pollution. Chattanooga began to broadly engage residents with diverse backgrounds and occupations through public meetings and private- public partnerships to discuss the future of the city. The outcome was a consensus for a cleaner, greener, safer city with rehabilitated housing and non-polluting jobs. Election reform helped Chattanooga better represent and engage a broader range of residents.

A downtown plaza was built to serve as a place for Chattanoogans to gather and discuss civic affairs. Finally, the "Chattanooga way" benefited from strong political, community, and business leaders who created community engagement and with the help of some non-profits involved residents in the visualization and planning process. Efforts to revitalize the city were focused on reconnecting the city with the Tennessee River, including one of the largest pedestrian bridges in the US, a Tennessee River Park and entertainment venues such as the Tennessee State Aquarium, as well as a free electric shuttle to facilitate movement from hotels to the entertainment venues. A number of funding mechanisms were used including public-private partnerships and assistance from private foundations as well as collaboration from the nearby University of Tennessee at Chattanooga and local non-profits. The aquarium opened in 1992 and is credited as being the key component of the downtown revitalization and is responsible for over $100 million annually in economic impact to the city.

However, entertainment was not the only key to the success of the downtown. Residents and planners knew they needed to have a mixed-use, walkable area to have a vibrant downtown, including improvement in the nearby Southside neighborhood which was a worn-down industrial area with inflated crime rates that had earned the name "Rustville". "We began working with the long-term residents to talk about what kind of neighborhood they wanted it to become," said Sarah Morgan, president of the Benwood Foundation[viii]. With long-term visioning in place, infrastructure such as schools, fire, and crime were addressed to support residential. "We knew that if we wanted to renew a commercial corridor on Main, we needed the residential rooftops to fuel it..... retail and restaurants follow rooftops," said Morgan.

By the late 2000s, Chattanooga had regained the population loss of the 1980s. The downtown features a walkable, start-up culture, reflecting the residents' appreciation of nature and ecology. As shown in the following images, housing is now a mix of Civil War era buildings, mansions, 1920s bungalows, Art Deco walkups and new structures.

Today the Southside is a sought after live-work-play neighborhood. "Talk to any Southside resident about what they enjoy most about living there and 'sense of community' is almost always number one," said Darlene Brown, founding partner and managing broker of Real Estate Partners Chattanooga LLC. "Residents walk their dogs, stroll to restaurants and galleries, and become 'regulars' at the coffee shops. That's what fosters friendships and a sense of community. We have homes selling at all price points, which speaks to and validates the Southside's desirability among a wide range of demographics and income levels for a refreshing, unique quality of life." Morgan agrees. "For a good neighborhood, you want balance: a diversity of incomes, races, and ages"[ix]. While Chattanooga planning professionals recognize that the area has made huge strides forward in creating a desirable downtown area, it continues to focus on improving availability of affordable and workforce housing.

Controlling Sprawl: Madison WI and Champaign / Urbana, IL

Why care about Sprawl? The University of Utah in conjunction with Smart Growth America measured urban sprawl in 221 metro areas across the U.S. in 2014[x]. Sprawl was measured across four factors:

- Development Density
- Land Use Mix
- Activity Centering (variances in density of people and businesses as well as a measure of how quickly population density declines from the center of the MSA, and the proportion of jobs and people within the MSA's central business district and other employment centers), and
- Street Accessibility.

The study found that as areas become less sprawling, several quality-of-life indicators improved, including:

- **Better upward economic mobility** that improves poverty outcomes, e.g., "for every 10 percent increase in an index score, there is a 4.1 percent increase in the probability that a child born to a family in the bottom quintile of the national income distribution reaches the top quintile of the national income distribution by age 30."[xi]
- **Lower costs** as people spend less of their household income on the combined cost of housing and transportation.
- **A greater number of available transportation options** lowers transportation costs.
- **Safer, healthier and longer lives** than peers in more sprawling metro areas.

Madison, WI

Madison, WI ranked highest (best) in the sprawl rankings for midsized cities of 500,000 to 1 million while Atlantic City, Santa Barbara and Champaign / Urbana IL ranked highest for small cities of less than 500,000 that have less sprawl.

The City of Madison, WI also had the highest score nationally for activity centering, meaning people and businesses are concentrated downtown and in subcenters. Madison achieved these results through several public policies, including:

Homebuyer assistance programs that encourage living downtown and reinvestment in existing housing stock. One example is the Mansion Hill—James Madison Park Neighborhood, an area with significant historic structures located downtown and near the University of Wisconsin campus. The Small Cap TIF Loan Program provides zero percent interest, forgivable second mortgage loans to finance a portion of the purchase price and the rehabilitation costs of a residential property located in this area.

A comprehensive focus on downtown development. In 1994, Madison adopted a series of strategic goals that later influenced the city's 2006 comprehensive plan and outlined ways for Madison to "share in the growth that is occurring in Dane County…in such a way to balance economic, social and environmental health." The goals directed new growth toward existing urban areas, and focused on increasing owner-occupied housing in the city and creating economic development areas.

Downtown Plan. The 2012 City of Madison Downtown Plan aimed to strengthen Madison's downtown neighborhood, including nine strategies to guide the future growth of this core neighborhood while "sustaining the traditions, history and vitality that make Madison a model city."

Champaign / Urbana, IL

Anchored by the University of Illinois and home to 226,000 residents, the Champaign-Urbana, IL metropolitan area not only ranks high for density, but also ranks high in other lists, including one of the ten best college towns and ranks 27th in Livability's 2020 Top 100 Best Places to Live. With one of the top engineering schools in the country and a federal government super computer, the area has become a Midwestern tech hub. Downtown Champaign contains a mix of housing, brewpubs, cafes, shopping districts and hotels. Nearby Campustown is adjacent to the university with its own flair and mixed use scene. And on the other side of Campustown is the thriving Urbana downtown area supported by a mix of transportation types, small businesses and an art scene. Urbana Community Development Director Elizabeth Tyler is a member of Smart Growth America's Local Leaders Council, and responsible for developing and implementing the city's comprehensive plan which emphasizes infill development in both commercial and residential neighborhoods as well as improvements in pedestrian infrastructure and bike lanes. "Car traffic on Main Street has slowed down," Tyler explains, "and business owners can see that it's easier for customers to see their businesses and what's going on. Once the improvements are in place, business owners like it."[xii]

The Missing Middle: Norfolk, VA

As interest rates plummeted to historic lows and many residents began working at home as a result of the pandemic, housing costs rose significantly over the past year, particularly in suburban markets and small to mid-size metro areas with high quality living conditions. Even before the pandemic, affordable housing became a significant legislative topic in cities throughout the country. The Missing Middle or availability of entry level and workforce housing is also being addressed in planning documents.

One example is Norfolk, VA. Housing in this market over the last several decades has been focused primarily on single family homes or apartment complexes which limits housing choices for both homeowners and renters. As a result, limited housing options are available at a range of prices. The Norfolk planning commission amended its plaNorfolk2030 in the summer of 2021 to adopt by reference the "Missing Middle Pattern Book" to help meet growing demand for walkable, urban living with housing choices at different price points. The pattern book addresses the form, scale, and type of multifamily housing needed to provide a pathway to reintroduce workforce housing into existing neighborhoods.

Missing Middle home types include "a range of multi-unit or clustered housing types, compatible in scale with single family homes, that help meet the growing demand for walkable, urban living, respond to household demographics, and meet the need for more housing choices at different price points (as defined by Daniel Parolek in "Missing Middle Housing"). It includes housing types such as duplexes, triplexes, "Norfolk six-packs", townhomes, courtyard apartments, and cottage courts.[xiii]"

Missing Middle housing provides walkable, smaller units that mix well in a single family environment with less perceived density than large complexes and provide a strong sense of community at affordable price points that allow home ownership attainability. The goal of the plan is to "help meet the growing demand for walkable, urban living, respond to household demographics, and meet the need for more housing choices at different price points." The Norfolk planning commission recognizes that implementing the Missing Middle plan will likely require further zoning changes.

This IS Missing Middle[xiv]

This is NOT Missing Middle[xv]

Regional Solutions: Orlando, FL

Historically, the Orlando Metropolitan Area, comprised of four counties adjacent to the City of Orlando itself, was among the least expensive housing markets in the country. Today, an average home is about $325,000 and rents rarely exceed $2.00 per square foot for the newest rentals, seemingly extraordinary value when compared to other markets.

Despite the area's appealing housing costs, the Orlando MSA is now one of the least affordable because of the high concentration of lower wage attraction, hospitality, restaurant, and retail jobs. The gap between housing prices and wages has grown worse over the last decade since the recession and the dislocations of COVID. While the latter is a temporary phenomenon, it only exacerbates the affordability gap as households struggle to regain their financial footing.

Disney World fills an unusual space in the region's total employment as the country's largest single site employer with about 70,000 workers. Its wages are relatively standard for the area but they set a reference point for other employers. In effect, a disproportionate number of people in the four county area are tied to the output and activities of these hourly workers. What was once only a problem for a single county has become a challenge for a group of counties, all with strong direct and indirect dependence on tourism.

With recognition that the need to influence housing costs was not a highly localized or single jurisdictional problem, the four metropolitan counties aligned their interests to explore multiple options on a regional level, a means most governments are inclined to resist. The resistance stems from institutional and control factors which were themselves the reasons individual jurisdictions were typically created.

The four counties agreed to adopt a set of shared approaches to address housing. These tactics centered on aggressive action to utilize lazy government assets to deploy for housing; evaluate zoning and land use constraints systematically; evaluate land use practices and challenges more generally; consider form based codes to induce creative designs; reconsider permitting and fee options upping housing costs; prioritize local resources for housing; target incentives to support housing in more diverse areas especially along corridors, those with transportation access or near commercial hubs; and commit to a series of housing production goals. All solutions emphasized alternatives and densities typically associated with the traditional single family home, largely what has been termed the "missing middle."

What emerges from this group effort is the obvious recognition that housing markets are not jurisdiction specific, and the actions of one occurring in a vacuum can undermine housing goals or objectives that might otherwise be shared. The regional approach marks a strong departure from isolated strategies disconnecting the impacts of regionally significant employers and economic considerations beyond the power of one jurisdiction. It is a widely shared and relatively uniform response.

While ostensibly a nod to the tourism industry and its employment needs, the sweeping changes in policy improve affordability for a variety of workers whose subsidence is only marginally dependent upon tourism: first responders, teachers, other government employees, and healthcare workers, for example.

Orlando's regional approach is something of a stark contrast to approaches elsewhere that have typically disregarded the impacts and effects of nearby jurisdictions and the behavior of larger markets. The shared ideas of Orlando's area governments earned the regional housing strategy a 2019 Award from the American Planning Association.

2021 Housing Policy Awards: Alexandria, VA and Minneapolis, MN

The Urban Land Institute (ULI) also recognizes the need for workforce housing. Affordable and workforce housing policies and programs put in place by the governments of Alexandria, Virginia, and Minneapolis, Minnesota, were selected as joint winners of the 2021 ULI Robert C. Larson Housing Policy Leadership Awards. The annual awards, presented by the ULI Terwilliger Center for Housing, recognize innovative ways the public sector is addressing the nation's affordable housing crisis.

Alexandria, VA, Office of Housing and Department of Planning and Zoning. In 2019, Alexandria amended its zoning ordinance as a result of a comprehensive and culturally inclusive community planning and engagement process. The residential multifamily (RMF) zone provides a substantial density incentive to induce landowners to preserve or produce affordable housing. The RMF zone was developed pursuant to the 2018 South Patrick Street Housing Affordability Strategy, a community planning process undertaken to identify potential tools, strategies, and resources for the preservation of 215 existing units of deeply affordable housing at risk of being lost to market pressures. The RMF zone allows substantial new density so the owner can develop three to five market-rate units to subsidize every deeply affordable unit provided. In addition, the zone requires assistance and protections for existing residents who are temporarily relocated—including a right to return when the new development is complete—so that redevelopment can occur.

Minneapolis, MN, Community Planning and Economic Development Department. Minneapolis Homes was created in response to a City Council directive in 2015 to incentivize housing development on city-owned vacant land. The program began with four strategies: 1) provide a homebuyer incentive to build new homes on vacant lots; 2) promote mixed-income neighborhoods throughout Minneapolis by creating a long-term affordability homebuyer financing tool; 3) build new homes on city-owned vacant lots by providing value gap development assistance; and 4) invest land-sale proceeds to further program goals. To meet city climate goals, sustainable building requirements and incentives were added for Minneapolis Homes–funded projects. Minneapolis Homes was originally a single-family new construction program; now the program provides funding for one- to 20-unit construction in alignment of 2040 Comprehensive Plan goals. And finally, in 2020, the program introduced funding targeting a reduction in displacement.

Housing: Award Winning Buildings

Specific building projects have also been successful at a smaller scale in creating workforce housing. Once successful, these projects can often be used as a template and replicated in some fashion in other areas of a city, thus reducing risk for the developer and the city, and providing desirable housing that fits neighborhood cultures and needs. As noted previously, in Spokane, Kendall Yards was frequently mentioned by interviewees as a successful project. However, interviewees also mentioned that a number of zoning and regulatory changes would have to be made to build another Kendall Yards type project.

In Boise, Idaho, the **Ash+River Townhomes** won the ULI Jack Kemp Excellence in Affordable and Workforce housing Awards in 2021. Boise has experienced significant growth recently accompanied by escalating home prices. The project was partially funded by a public-private partnership. Consisting of 34 units of workforce/moderate-income housing, the project is located near the city's fast-growing downtown and includes a mix of townhomes, flats, retail, open space and pedestrian oriented amenities. The project was designed to fit in well with the neighborhood, particularly the adjacent historic Hayman House, the 60-year residence of Emma Hayman and now a cultural site honoring the history of Black residents in the neighborhood.

Located adjacent to a multi- use pathway and small public park, as shown below, this LEED Gold certified community connects its residents to the Boise River, the Greenbelt, and Boise State University via pedestrian paths and quick access to downtown Boise, Idaho. The townhomes were constructed to be sustainable, safe, and energy- efficient to support lower utility bills and provide healthier homes for residents.

Most of the units have a dedicated garage with covered parking (green roof) for the balance of the residents. A local Boise coffee vendor, Push & Pour, occupies the 500 square feet of retail space along the mixed-use "Pioneer Pathway."

Source: Ash+River Townhomes -GGLO

Another ULI Jack Kemp Excellence in Affordable and Workforce Housing 2021 Awards winner, this time the Chairman's Award Winner, was the **Arlington Drive Youth Campus in Tacoma, Washington**—a development providing housing and services for youths and young adults who are experiencing homelessness, making the transition from foster care, or on the threshold of homelessness. The campus consists of a crisis residential center and a 58-unit apartment complex for homeless young adults, with about 30 percent of the residents being parents of babies or toddlers. The adjacent apartment complex provides apartments for previously homeless 18- to 24-year-olds. The Social Impact Center of the YMCA of Greater Seattle provides on-site supportive services. The young adults were included in the design process for the development of Arlington

Drive Apartments. Given the strain on the current homeless system in Spokane, this subject may be worth further study.

Arlington Drive Youth Campus in Tacoma, WA. Source: PCS Structural Solutions

Several Takeaways from Case Studies

Virtually every jurisdiction in the United States is experiencing its housing challenges following the recession and the recent impacts of COVID. Whatever the particulars in Spokane, the conditions are not the least isolated.

While reasons for housing challenges among communities and settings may vary, they share common elements of reduced production, rapid and often higher than expected population or job growth, perceptions about regulatory constraints, affection for the single family home, and perceptions that any change in density might undermine community cohesion and values.

- Housing delivery systems are largely local. Many moderate sized communities do not have access to the substantial resources of national homebuilders. Consequently, a loss of production is difficult to overcome. While the case study communities have embraced a variety of solutions, there is an explicit understanding that production increases by themselves will not solve the housing affordability problem. Many tools and approaches are necessary.

- Toward addressing the above there have been widespread gains in creative designs, incentives for density, more thoughtful evaluations of those situations where density is appropriate, and the means to approve solutions or housing types that advance community goals.
- Oddly, housing which is *affordable* [perhaps to distinguish it from *affordable* housing] is among the most difficult to implement because it is often regulated to the point that any potential cost advantages are eroded. Density, by itself, is very often closely associated with other housing approaches, regulations, designs or solutions that might be advanced and lower the cost of housing. While these other tools are likely to be more valuable with such density, they are not altogether dependent upon increased density.
- Missing Middle products and approaches fill an obvious large space in the affordable segment. In effect, data suggest Americans vastly over-consume housing. The nation has embraced the larger single family home even as our demographics evidence smaller, older and often less affluent households would benefit from smaller housing units whatever the density. These smaller units are often impossible to build as either primary or secondary structures. Local governments proclaim such units are a major objective at the policy level but then fail to take affirmative and feasible actions to support them. Smaller units would certainly not eliminate all increased costs of housing, but they would have a material effect, other things held constant.
- These missing middle units, seen as essential strategies in almost all the case studies, celebrate simplicity in design and construction. They are generally of wood-frame construction and low-rise so they typically blend into neighborhoods resistant to change and intrusion. Parking requirements are less onerous because they often rely on walkable, neighborhood-centric commercial spaces or services, and to transit, possibly lowering or even eliminating the use of cars.
- Housing need and the affordability gap is a growing problem but it is rarely a single jurisdictional problem. Housing markets cross jurisdictional boundaries and certain approaches to increasing affordability need to be embraced by neighboring governments as a shared benefit, not just a shared cost.

Creating Success through Community Engagement

The Positive Approach

Most of the success stories use some community engagement to conceptualize projects. Community engagement has several benefits, e.g., it ensures plans for change are well-informed by the expertise, priorities and experiences of residents and thus are more likely to be effective; it 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. Involving community members often takes a multivariate approach that includes civic participation, community organizing, social networks and resident leadership[xvi].

Agency-Led Community Building. Several communities have illustrated methods that use neighborhood engagement effectively: One example is the HOPE San Francisco Leadership Academy – a 15-week leadership course for public housing residents. HOPE SF is a San Francisco public housing revitalization project that aims to transform neighborhoods with public housing to thriving, mixed-income neighborhoods. The Leadership Academy teaches students how to talk to developers and explains terminology that developers use as well as how to provide effective feedback as to what will or will not work in the neighborhood. The Academy also has a class to build young leaders.

Developer-Led Community Building. Developers also frequently lead community building. One example is BRIDGE Housing which holds numerous community building events. In the South Protrero neighborhood of San Francisco, the firm's Healthy Living Program that began as an informal walking club, expanded through resident demand into meditation, cooking classes and a Sober Living Group. The developer wanted a program that people could see and get involved in to open up conversations, slowly change their psyche and reduce fear. Fun, casual events are also organized to build community relationships. A monthly calendar is created to create consistency, reliability and trustworthiness. "This calendar looks basic but serves as almost a contract with residents... People don't have to figure out if it is going to happen or is it not going to happen. It's on the calendar...nobody has to guess. That in itself has shown people that it happened last month, and it's happening this month, so it really is going to continue to happen. That right there means a lot to residents," said a local Community Builderxvii. Over time, BRIDGE has seen increased community engagement that has led to neighborhood change.

Resident-Led Community Building. In New Orleans, one resident became frustrated when she noticed that the resident council was not reflecting the community's concerns as many of the council leaders had been in place for a long time and were used to doing things a certain way. She began her own activism and bridged the gap between council leadership focus and what the general membership wanted. As a community leader, she was soon elected to the resident council. Building trust was a critical element to her success. Residents are often opposed to redevelopment plans because they felt they were not involved from the beginning, including selection of the development team. Similar to BRIDGE, having a youth council and an annual calendar of events are critical. Key factors for success include:

- Encourage diverse members of the community to enter into leadership roles through targeted activities and strategies.
- Offer resident leaders a number of different opportunities for training and professional development at all stages of the transformation process.
- Build the capacity of resident leaders to represent their neighbors and to ensure longer term sustainability of community engagement efforts.

The 'Stick' Approach

While the above examples are 'carrot' led methods to achieve a better balance of housing, some communities also use a 'stick' approach. In California for example, an affordable housing shortage has driven significant changes in housing laws, some of which support the production and availability of housing to meet all income levels.

After seeing many local governments violating these laws, the California Association of REALTORS® founded Californians for Homeownership, a non-profit 501-c3 organization that works to fight unlawful policies and practices that limit access to housing. The organization follows three approaches: 1) educating Realtors, property owners and citizens about their right to develop housing and to buy, sell and rent existing housing, 2) educating local governments about their legal obligations, and 3) when education is not enough, using litigation to enforce these rights.

Recent activities include:

- Settling a lawsuit against the City of Whittier to help ensure that homeowners have the option to convert their garages and other underutilized spaces into ADUs,
- Lawsuit against the City of Coronado to end the city's illegal, unwritten practice of rejecting certain types of ADUs,
- Prevailing in a lawsuit against Huntington Beach for illegally rejecting a 48-unit mixed-income condominium complex.

Regional and Other Considerations for Housing Planning

Spokane's housing situation is further complicated by the fact that the metropolitan area spans multiple counties and a state border. Thus, while residents may live and work in different parts of the metropolitan area, those neighborhoods may operate under very different housing policies and laws. Thus, the threat of sprawl, with its accompanying downsides of traffic, costs, time, pollution, and health issues, becomes very real. Before Spokane proceeds down a route already proven to be non-ideal by many larger cities, housing must be considered as part of a regional plan.

Some metropolitan areas have larger regional housing agencies. One example is the **Association of Bay Area Governments (ABAG)** that spans the San Francisco metropolitan area's nine counties and 101 cities and towns, and produces a state-mandated Regional Housing Needs Allocation (RHNA) every eight years. As required by state law, California cities, towns and counties must plan for housing needs regardless of income. As part of RHNA, the California Department of Housing and Community Development, or HCD, determines the total number of new homes the Bay Area needs to build—and how affordable those homes need to be—in order to meet the housing needs of people at all income levels. ABAG, working with the Housing Methodology Committee then distributes a share of the region's housing need to each city, town and county in the region. After an appeal process, each local government must then update the Housing Element of its general plan to show the locations where housing can be built and the policies and strategies necessary to meet the community's housing needs.

Walla Walla Washington works on a smaller scale. The Walla Walla Regional Housing Action Plan spans two counties and is a joint effort between the Cities of Walla Walla, College Place, Waitsburg, and Dayton. The Cities received funding from the Washington State Department of Commerce in 2020 to produce the first regional housing action plan for the area.

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 this 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.

Appendix A — Sample Recent Spokane Housing Studies

2021 Housing Action Plan	
City of Spokane 2020-2024 Consolidated Plan	Identifies housing and community development priorities that align and focus funding from federal formula block grant programs, including the Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program, and the Emergency Solutions Grants (ESG) Program to fund construction of affordable housing units, renovation of existing units, and other measures which increase or maintain residential opportunities for low- and moderate income households.
2020 - Northwest Fair Housing Alliance	Analysis of Impediments to Fair Housing Choice - identified 10 impediments and recommended actions to help affirmatively further fair housing choice and support affordable housing options.
2018 -19 code amendments	passed to increase infill residential development options in Spokane's lower-density residential areas
2017 Housing Quality Task Force	19 recommendations related to housing quality, abandoned homes and affordability
2017 - The Mayor's Joint Administration-Council 6-Year Strategic Plan	Includes near-term and longer-term strategic initiatives focused in four key areas: Safe and Healthy; Urban Experiences which includes strategies to focus investment in key centers and to increase housing quality and diversity
2016 - City Council Infill Housing Task Force	A subcommittee of the Plan Commission engaged developers, design contractors, community representatives, and leaders, to ask what changes were needed to encourage high-quality housing and commercial development in appropriate designated areas of Spokane. A series of 24 recommended actions provides a guide to address residential and commercial development on vacant lots in now built-up areas.

Appendix B — Study Participants

The CRE Consulting Corps team was privileged to talk to a wide variety of stakeholders while onsite in Spokane and beforehand or afterward by Zoom. Some of those people are listed below, and we thank them for their time.

Breean Beggs, City of Spokane Council President

Andy Billig, Washington State Senate Majority Leader

Dave Black, NAI Black (Developer)

Michael Cathcart, City of Spokane City Council, District 1, Position 1

Brian Coddington, City of Spokane Director of Communications and Marketing

Greg Francis, Rockwood Neighborhood Council, Spokane Planning Commission

Jim Frank, Greenstone (Developer)

Al French, Spokane County Commissioner

Mike Gribner, Washington State Dept. of Transportation, Regional Administrator

Cathy Gunderson, Chief Garry Park Neighborhood Council

Nathan Gwinn, City of Spokane Assistant City Planner

Robert Higgins, Spokane Association of REALTORS® President

Taudd Hume, Attorney - Land Use

Jack Kestel, Kestel Homes (Developer)

Lori Kinnear, City of Spokane City Council District 2, Position 1

Kitty Kitzke, Futurewise

Dave Lucas, Rockwood Neighborhood Council

Steve MacDonald, City of Spokane Community and Economic Development Director

Ryan Murphy, City of Spokane City Planner

Maren Murphy, City of Spokane Assistant City Planner

Fawn Schott, President & CEO, Volunteers of America- Eastern Washington & Northern Idaho

Tanya Starkel, Rockwood Neighborhood Council

Ben Stuckart, Executive Director, Spokane Low Income Housing Consortium

Darin Watkins, Spokane Association of REALTORS® Government Affairs Director

Joel White, Executive Officer, Spokane Home Builders Association

Betsy Wilkerson, City of Spokane City Council, District 2, Position 2

Nadine Woodward, Mayor, City of Spokane

James Young, Director, Washington Center for Real Estate Research, University of Washington

Keith Kelley, Kelley Rental Properties

Appendix C — The Counselors of Real Estate® and CRE® Consulting Corps

The Counselors of Real Estate® is an international organization of commercial property professionals from leading real estate, financial, law, valuation, and business advisory firms, as well as real property experts in academia and government. Provision of superior property advisory services requires knowledge of all aspects of real estate and focuses on big-picture thinking. Membership is highly selective and extended by invitation.

Among thousands of assignments, Counselors have resolved the dispute between the developer of the World Trade Center and its insurers post September 11, led the privatization of U.S. Army Housing, developed a multi-billion-dollar, 10-year master plan for Philadelphia Public Schools, and valued both the Grand Canyon and Yale University. Counselors reside in 20 countries and U. S. territories, with only 1,000 professionals holding the CRE® credential worldwide.

CRE® Members

- Recognized records of accomplishment
- Commitment to excellence
- Uncompromising adherence to high standards of professional conduct
- Visionary, yet practical approaches, to real estate issues

The CRE® Consulting Corps, a public service program created and managed by The Counselors of Real Estate, provides real estate analysis and action plans for municipalities, not-for-profit organizations, educational institutions, and government agencies that address their clients' real estate dilemmas and often enhance the performance of a property or a portfolio. Each Consulting Corps project is conducted by a small group of volunteer members selected for experience and skillsets to address the client needs. The extensive talent base available among the Counselors ensures that teams can provide expertise on virtually any real estate issue.

CRE® Consulting Corps

- Reliable solutions from experienced professionals
- Non-partisan, objective advice
- Exceptional service for fees that are a fraction of current market value
- Advice and recommendations provided quickly on site

Finding the Right CRE®

The Counselors of Real Estate not only welcomes but also encourages the Spokane Association of REALTORS® to engage Counselors for future real estate advice and service. Please contact CRE® staff members for assistance in identifying Counselors with the right skill sets to address your needs.

How to Find a Counselor of Real Estate

1. Contact CRE® staff Samantha DeKoven (312-329-8431; email sdekoven@cre.org)
1. Contact any member of the Spokane Housing Consulting Corps team.
2. Search the CRE website (www.cre.org) to view member profiles.

Appendix D — The Spokane Housing Consulting Corps Team

Jacqueline Buhn, CRE – Team Leader
Principal & Co-Founder, AR Spruce LLC
Philadelphia, Pennsylvania

Jackie 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. At AthenianRazak and its predecessor Athenian Properties, which Jackie founded in 2001, she led redevelopment projects such as work at 833 Chestnut, bringing the value of this historic 750,000 sf office building from $7/sf to $230/sf, as well as consulting engagements such as a Master Plan for the School District of Philadelphia. Prior work included overseeing repositioning, redevelopment, management, or consulting for more than 8 million sf of commercial properties and 2,800 residential units. Before Athenian, Jackie was a founder and principal of Renaissance Properties, and a senior staff member at Growth Properties. Jackie's expertise includes real estate consulting and planning, historic redevelopment, financial structuring, data center construction and management, and real estate operations. Jackie holds a B.A. from Yale University and a Master of Architecture from University of Washington. Affiliations include Counselors of Real Estate, DEI Chair and Board Executive Committee; Greater Philadelphia Economy League; CREW, Past Philadelphia President and Network Board Member.

Owen M. Beitsch, PhD, FAICP, CRE
Senior Director, Economic and Real Estate Advisory Services, GAI Consultants
Orlando, Florida

Owen 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. His academic and professional expertise applies to tax policy and special district finance, including use of tax increment receipts, assessments, fees, and allowed charges to finance major infrastructure.

A founding member of the Orlando Neighborhood Improvement Corporation, Owen served as chairman for 4 years, followed by 8 years as a member of the Orlando Housing Authority Board. He completed several terms on Winter Park's Planning and Zoning Board and is chair of the Xentury City Community Development District, which oversees a major tourist area proximate to Walt Disney World.

In 2010, Owen was named a Fellow in the American Institute of Certified Planners, the highest honor bestowed in the urban planning profession. In 2011, he was named an Outstanding Alumnus by the University of Central Florida College of Health and Public Affairs.

Sharon Madison, CRE
CEO and Owner, Madison International, M2 International
Detroit, Michigan

Sharon 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. She manages large-scaled projects involving the design, construction, and financing of historic properties, which involve adaptive reuse upgrades to modern standards, approaching these projects from an environmental, economic, and social point of view. The conglomerate has managed more than $5 billion in design and construction projects, including 20,000 units of housing and the gold standard LEED building for Dillard University's Professional Schools Building.

Sharon's affiliations include Chairperson of Detroit CARES, past service on Boards of The Detroit Downtown Development Authority, The Detroit Economic Growth Corporation, The National Women's Business Council. In 2019, she was named one of the Top Women in Real Estate by Crain's Detroit Business, and was awarded the National Association of Women Business Owners Greater Detroit's Pinnacle Award 2020.

Paige Mueller, CRE
Managing Director, Eigen10 Advisors, LLC
Alamo, California

Paige 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.

Paige serves as NCREIF Academy faculty where she developed and teaches several classes, and has taught a graduate level real estate class for U.C. Berkeley. She has served in leadership positions for numerous organizations including the REIS Standards ESG committee, Vice Chair for the ULI Global Exchange Council, President of the Real Estate Research Institute, Founding

Editor of 'The Counselor', A Counselors of Real Estate publication, and PREA Research Affinity Group Co-Chair and Fund Fee Study Committee member.

Stan Sidor, MAI, AI-GRS, CRE
Senior Vice President, Manager, Shareholder, Valuation Advisory Services, Kidder Matthews
Tacoma, Washington

Stan 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 is also experienced in the valuation of corridors and water rights. Stan has 40 years of combined real estate and banking experience, including 27 years as a real estate appraiser. In addition to valuation analysis and consulting, Stan has experience in property and asset management, leasing, sales, loan underwriting and credit approval.

Stan is a member of the Appraisal Institute; was 2020 president of the Seattle Chapter of the Appraisal Institute, president of the Appraiser's Coalition of Washington in 2009-2010 and 2013-2014; and recognized as Appraiser of the Year by the Seattle Chapter in 2009. Stan attended all courses in the Masters of Science degree in real estate appraisal program at the University of St. Thomas in Minneapolis and received his BA from the University of Washington.

Appendix E – Time and Money

TIME vs. MONEY

PROJECT TIME:	6 YRS						
HYPOTHETICAL COSTS PER UNIT	**SPOKANE**	**YR 1**	**YR 2**	**YR 3**	**YR 4**	**YR 5**	**YR 6**
Land Cost/lot, Improved	(100,000)	(100,000)					
Carry-Opp cost of funds, tax, ins, maint	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)		
Professional, other Soft	(39,375)				(39,375)		
Impact Fees, Requirements	(5,500)				(5,500)		
Code Required Environmental Efficiency	(30,000)					(30,000)	
Construction	(393,750)					(393,750)	
Finance	(32,882)					(32,882)	
Costs of Sale	(42,875)						(42,875)
Sale Value	612,500						612,500
Total (Loss)/Profit	(35,882)	**(104,000)**	**(4,000)**	**(4,000)**	**(48,875)**	**(456,632)**	**569,625**
IRR	-4.55%						
	4 YRS						
	OTHER TOWNS	**YR 1**	**YR 2**	**YR 3**	**YR 4**	**YR 5**	**YR 6**
Land Cost/lot, Improved	(100,000)	(100,000)					
Carry-Opp cost of funds, tax, ins, maint	(2,000)	(2,000)	(2,000)				
Professional, other Soft	(39,375)		(39,375)				
Impact Fees, Requirements	0		0				
Code Required Enviornmental Efficiency	(30,000)			(30,000)			
Construction	(393,750)			(393,750)			
Subtotal Construction/Prof	(463,125)						
Finance	(32,882)			(32,882)			
Costs of Sale	(42,875)				(42,875)		
Sale Value	612,500				612,500		
Total Net	(28,382)	**(102,000)**	**(41,375)**	**(456,632)**	**569,625**		
IRR	-3.65%						
	2 YRS						
	IDAHO						
Land Cost/lot, Improved	(100,000)	(100,000)					
Carry-Opp cost of funds, tax, ins, maint	0						
Entitle, Utilities	(39,375)						
Professional, other Soft	0	(39,375)					
Code Required Enviornmental Efficiency	0						
Construction	(381,938)		(381,938)				
Subtotal Construction/Prof	(421,313)						
Finance	(32,882)		(32,882)				
Costs of Sale	(42,875)		(42,875)				
Sale Value	612,500		612,500				
Total Net	15,432	**(139,375)**	**154,805**				
IRR	11.07%						

Appendix F — Sources

Sources cited are listed below.

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