



Community Development

2025 NE Kresky Ave

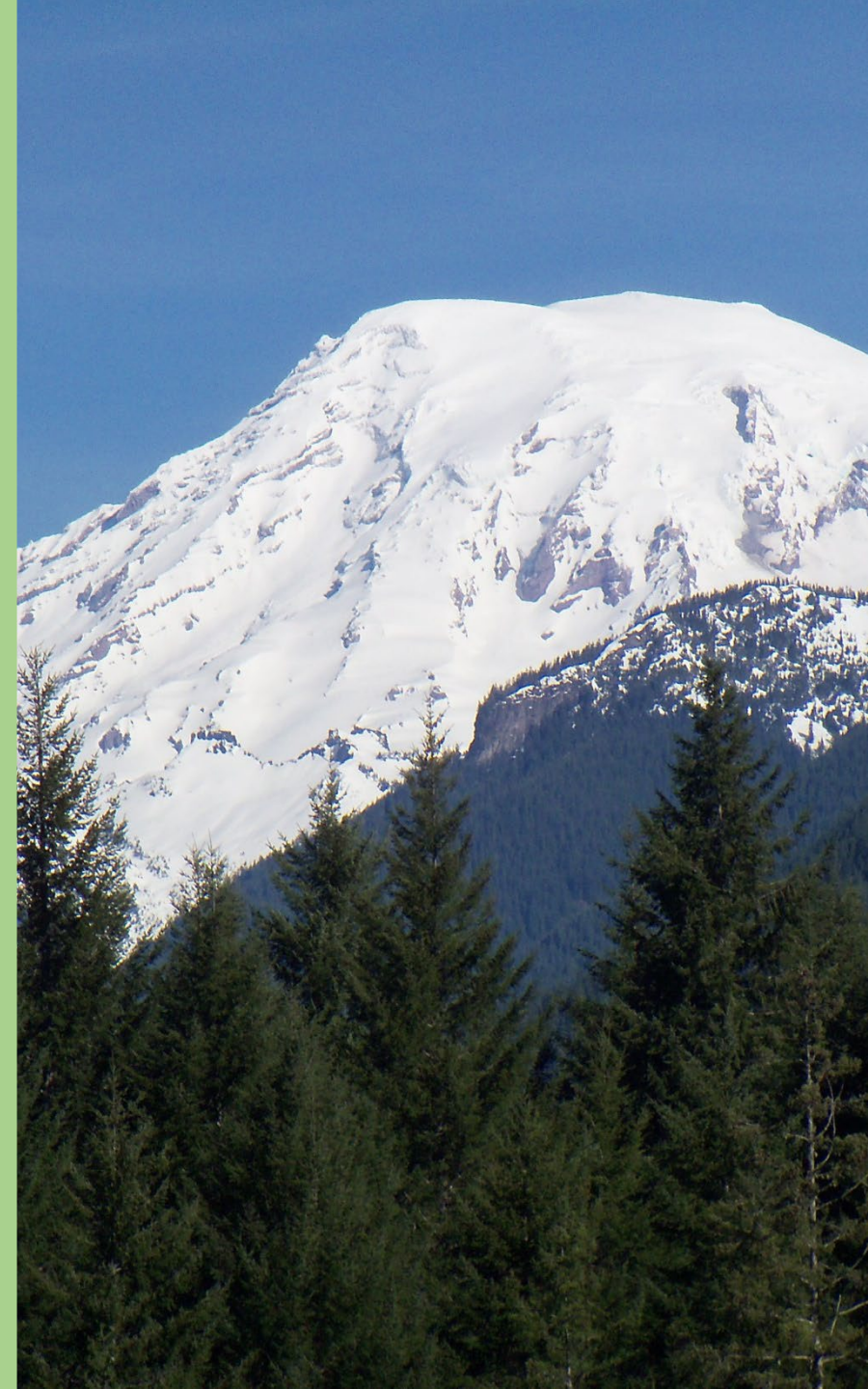
Chehalis, WA 98532

Phone: (360) 740-1146

Rural Housing Alternative Industry Stakeholder Group

Planning Commission Workshop

October 10, 2023



Presentation Agenda

- 1. Context/Recap**
- 2. Industry Stakeholder Group**
- 3. Early Takeaways**
- 4. Sample Development Scenarios**
- 5. Financials**
- 6. Conclusions**



Context/Recap

1. Housing availability and affordability

- a. Housing costs rising (a lot) faster than incomes
- b. Prices rising faster in rural areas (Centralia<Mossyrock<Curtis<Packwood)
- c. Housing size and needs are mismatched
- d. Overwhelmingly, housing stock is detached SFRs

2. Focus statewide: urban housing growth

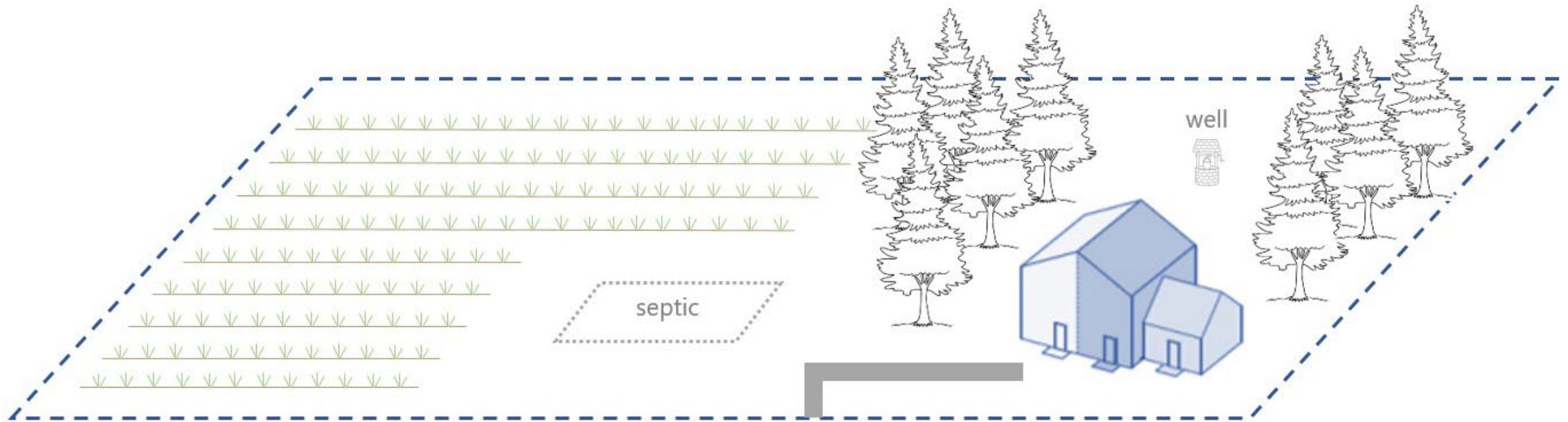
- a. Us, too: LC population and housing allocations

3. Rural complement to this?

- a. Report on [rural housing constraints](#)
- b. Why [RDD 2.5 is problematic](#) and [might not be that effective](#), even [accounting for a flaw in the original analysis](#)
- c. Looking for GMA-compliant options in rural area



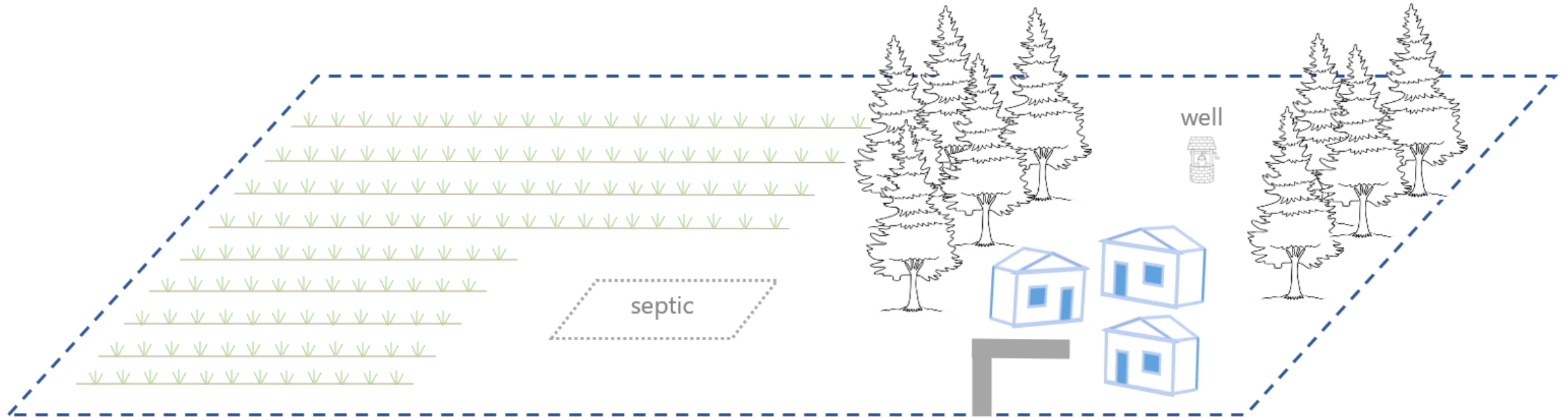
Context/Recap – The RHA



Example only – Duplex with Attached ADU (3 units of housing)

- Clustering
- Interdependency (ADUs)
- Form/Impacts-based

Context/Recap – The RHA



Example only – Three Detached Manufactured Houses

- Clustering
- Interdependency (ADUs)
- Form/Impacts-based

Context/Recap – The RHA



The Brooklyn Bridge: Yours for \$29.95

Industry Stakeholder Group

Roles:

- Developer
- Custom home builder
- Civil Engineer*
- Septic Designer
- Construction Lender
- Realtor for Homebuyers
- Lender for Homebuyers
- Title Company
- Rental Property Manager
- Renters' Representative
- Hard Money Lender/Landlord

*also supplying well-drilling insights

Goal: Vet commercial viability of RHA

- Reactions to sandbox regulations
- Sample developments, pro formas, financing



Early Takeaways

1. Confirmation

- Industry practitioners raised same issues as the constraints report

2. Perceived demand

- Especially for family compounds

3. Financing Constraints

- FNMA conventional mortgages re: manufactured homes

4. Clarification needed

- Sandbox regulations needed tweaking

5. Improve sample scenarios

- Immediate feasibility problems for some; also, need real parcels

6. Increase the Cap

- Modern homes are larger; do 6000 sq ft for marketability



Early Takeaways

Examining the Cap: Are Houses Bigger Now?

Finished Residential Space in Stick-Built Residences in Lewis County RDD Zones, per TY 2022 Data

Year Built Range (inclusive)	1850-2021	2000-2021
Mean	1,766	2,056
Median	1,674	2,070

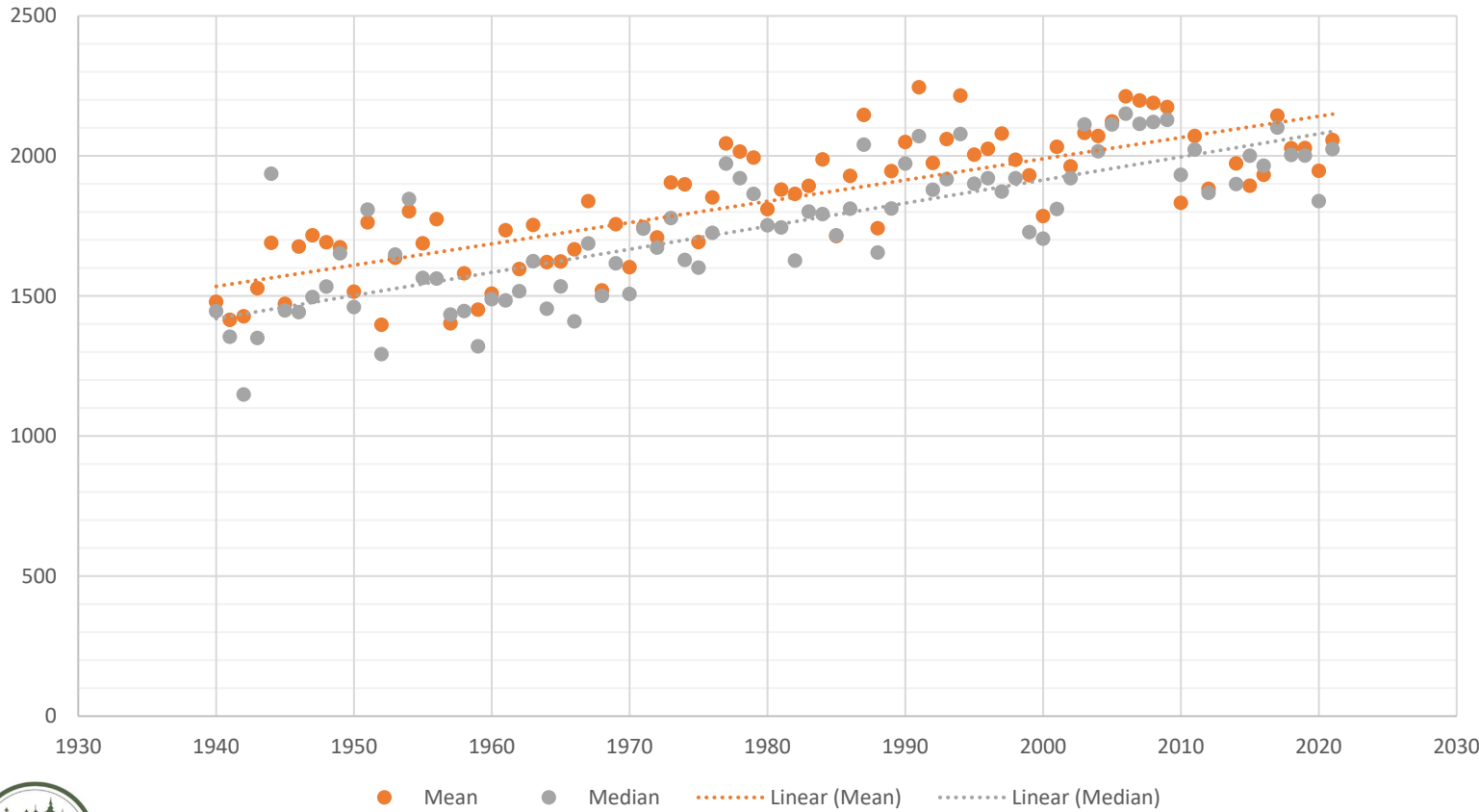
... experts are smart.



Early Takeaways

Examining the Cap: Are Houses Bigger Now?

RDD Parcels Only: Mean and Median Residential Square Footage by Year Built, 1940-2021



2,300 AVG
+ 1,296 ADU
3,596

3,600 sq ft



Early Takeaways

Why not 6,000 sq ft?

3,600
sq ft

< **12,000 sq ft**
≈ **low end of custom home size**

But,

Growth Management
~~6,000
sq ft~~



Sample Development Scenarios

1. Townhomes quadplex
2. Add two MFHs to lot with small home
3. Convert small home's outbuilding into two barndos
4. Three MFHs on one large lot
5. Eight tiny homes on one large lot
6. 3600 sq ft SFR with a 40x60 sq ft shop
7. Same SFR with 1296 sq ft ADU in the shop

*****All were doable. It was just a question of money.*****



140 Texas Lane near Winlock - Family Quadplex



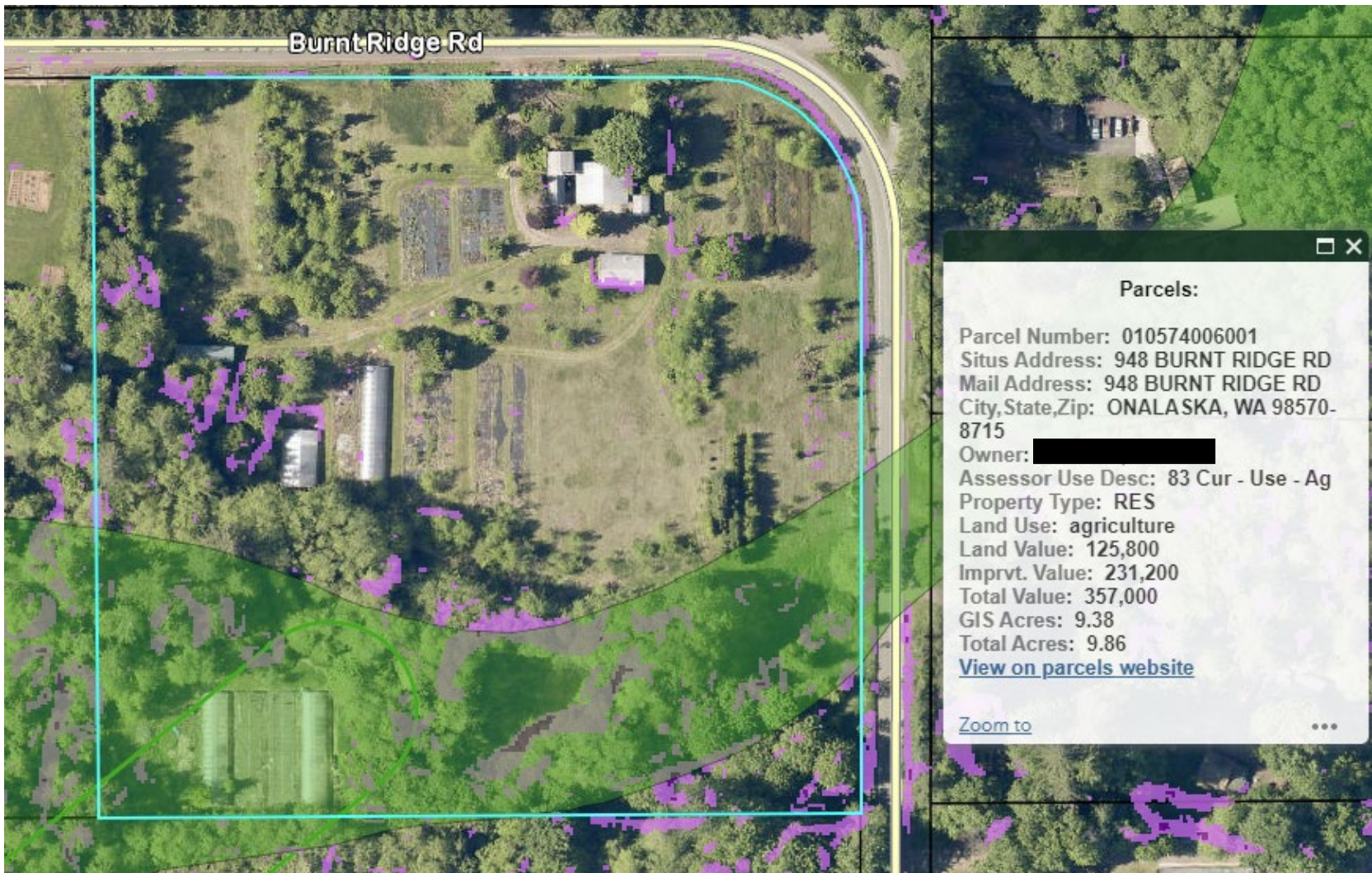
Property: 140 Texas Lane

Project: New Quadplex

Task	Estimated Cost	Notes
Property price	\$175,000	Perfect, flat property with existing, well-built private road and no critical areas to speak of
Well and storage	\$20,000	150-foot depth well with a 1000-1500 gallon tank to ensure 20-30 gpm flow
Well pump house	\$6,000	For construction of the house; the pipes and electrical were included in the \$20,000 for the well and storage
Septic system	\$70,000	With four tanks and a very large drainfield — but it would fit on the lot
Power hookup	\$10,000	Hookup to new building; can vary depending on location of nearest transformer and other facilities served
Driveway and groundwork	\$15,000	Likely 100+ foot driveway
Quadplex construction	\$1,080,000	Four 900-square-foot units at \$300/sq ft, due to needing a separate kitchen and baths in each unit. Assumed 2 bedrooms each.
Garage	\$100,000	A pole garage for one car per unit (4 cars total)
Permit fees	\$5,000	[Delays in permitting could also contribute to loan fees and additional interest.]
Landscaping	\$20,000	
Stormwater	\$10,000	
Loan interest/fees	TBD	Staff were asked to consider financing costs
SMA fee	\$400/year	Satellite management agency annual fee for a Group B well without major compliance issues
HOA fee	\$200/year	Homeowners' Association fee to maintain private road
Total	\$1,511,000	Plus \$600 in fees annually and whatever loan fees or interest attend the financing



948 Burnt Ridge Road, Onalaska – Existing Home Plus 2 New Detached Manufactured Homes



Property: 948 Burnt Ridge Road Project: Home + 2 New Prefabs

Task	Estimated Cost	Notes
Property price	\$500,000	Existing large parcel with small house
Well upgrades	\$12,000	Needed for Group B compliance
Well pump house	\$6,000	
Septic system added	\$30,000	Due to added units
Power hookup	\$10,000	Hookup to new buildings
Driveway and groundwork	\$5,000	MF pads plus regraveling driveway
New prefab units	\$260,000	For two manufactured homes, at \$130,000 each for purchase, delivery, setup & skirting
Permit fees	\$4,500	For dwelling units, power, etc.
Landscaping	\$1,000	Gravel and small plants around MF homes
Garage*	\$0*	[There was an existing garage and plenty of outdoor graveled space.]
Stormwater*	\$0*	[The property already had quite a bit of impervious surface and was listed as an existing commercial venture, so it was not clear what additional stormwater compliance was needed.]
SMA annual fee	\$400/yr	For Group B compliance
Loan fees / Financing	TBD	Two prefab structures cannot be conventionally financed; a private or commercial loan would be required.
Total	\$828,500	Plus \$400 in SMA fees annually, and whatever loan fees or interest attend the financing

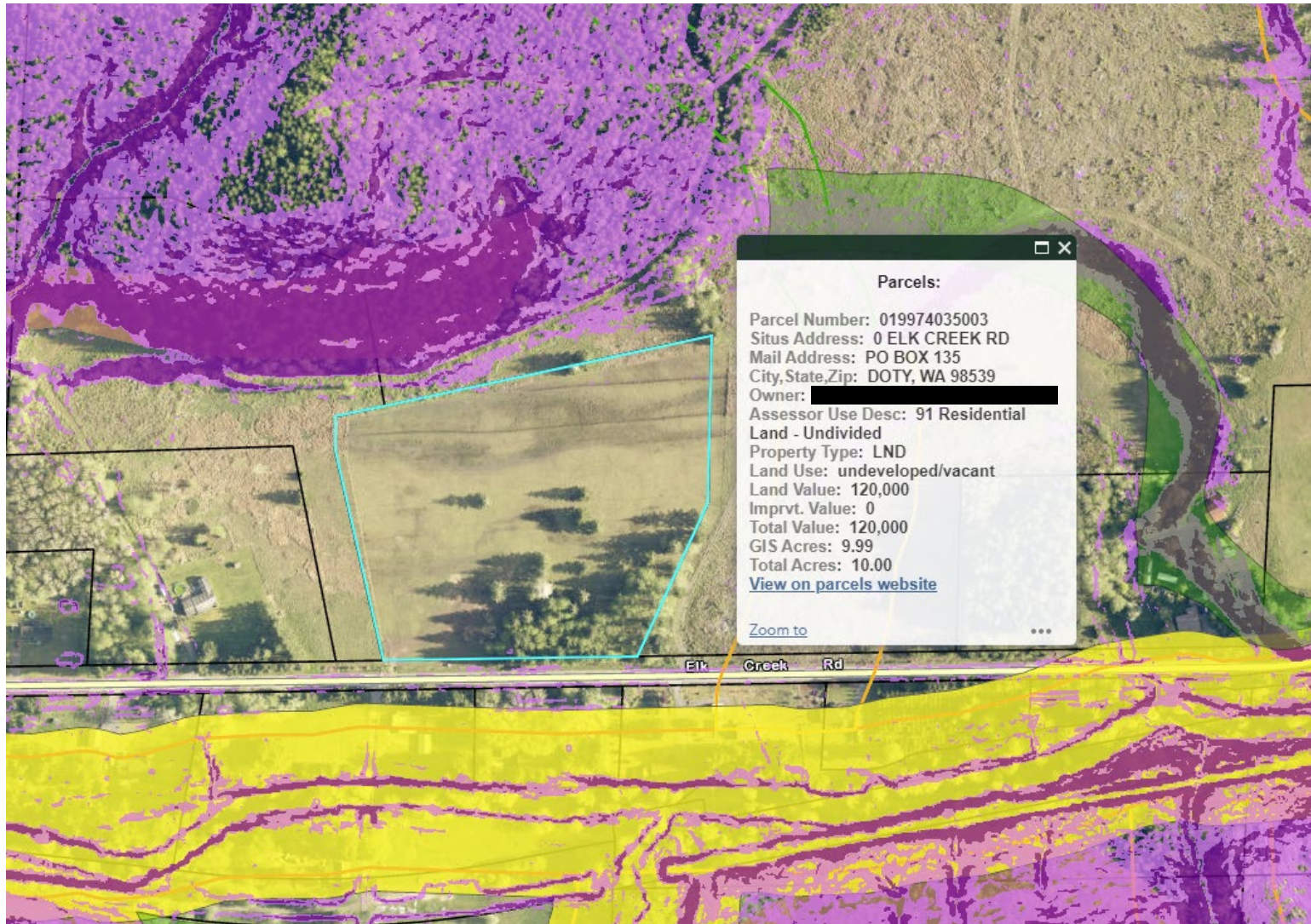


214 Hankin Road near Toledo – Existing Home Plus 2 New Barndominiums



Total	\$1,454,000
Not including sale price:	\$654,000

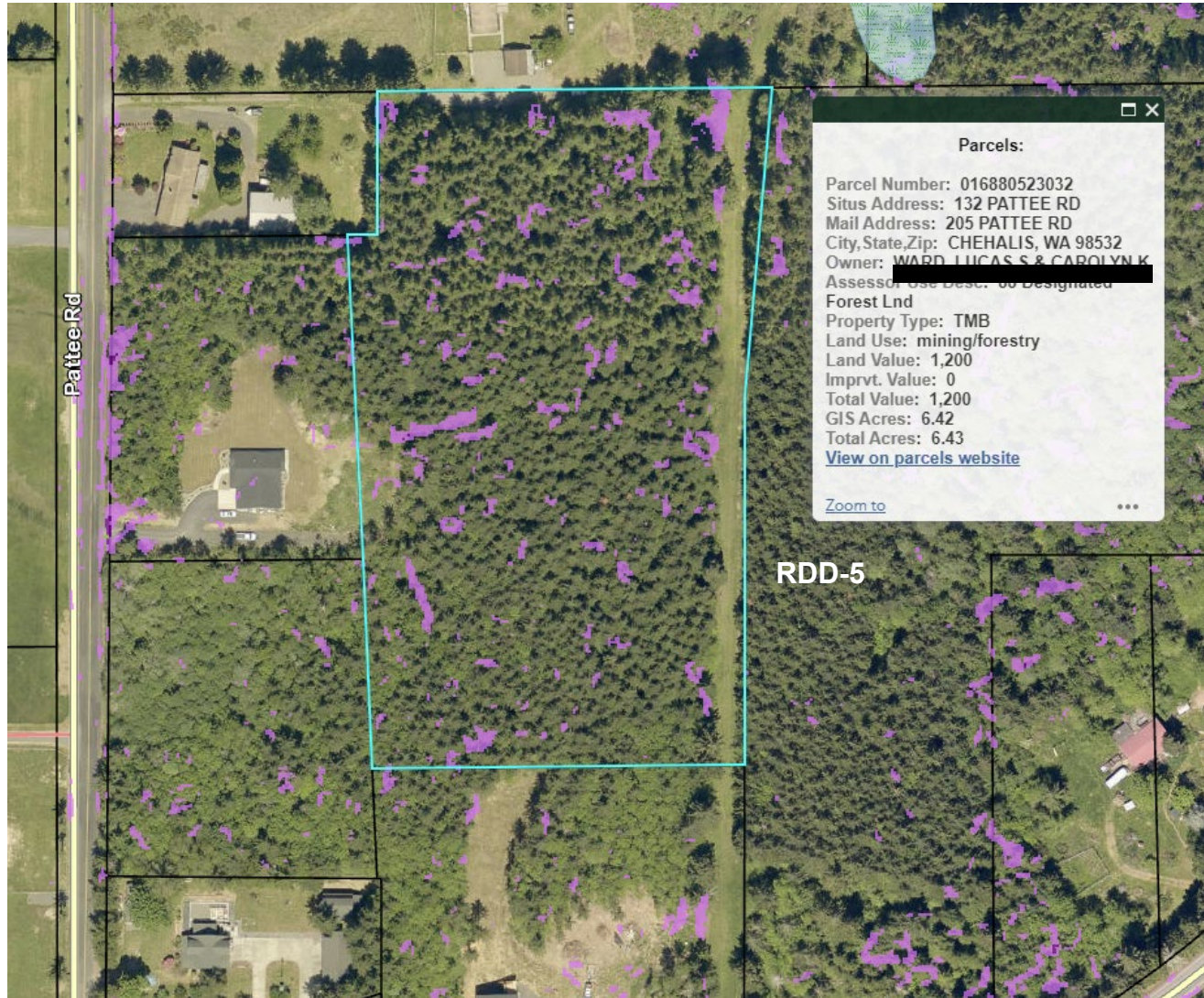
0 Elk Creek Rd near Doty – Three Detached MFHs



Total	\$799,900
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205 Pattee Rd (up Logan Hill Rd) – Eight Tiny Homes



Total	\$920,000
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140 Texas Lane near Winlock – SFR + Shop



[SFR + Shop]

Total \$1,237,000



140 Texas Lane near Winlock – SFR + Shop/ADU



[SFR + Shop/ADU]	
Total	\$1,299,000



Financials – Texas Lane – Family Quadplex

140 Texas Lane - Four 900-sq-ft townhomes, 30% down

Item	Amount	Notes
Construction costs	\$1,511,000	Per ISG Session 2 estimate
After 30% down	\$1,057,700	
Loan fee	\$15,866	Security State charges 1.5%, used as example
Loan amount	\$1,073,566	
Loan term (years)	30	FNMA eligible (1-4 attached units); 30 years possible
Interest rate (APR)	7%	FNMA eligible, so this is possible
Monthly payment	\$7,142.46	Per a loan calculator
Number of Units	4	
Per unit	\$1,785.62	
DCSR	1.25	Debt service coverage ratio needed, per Sec. State
NOI	\$2,232.02	Net operating income must be 1.25 x debt service
+5% maintenance		NOI = Gross rent minus maintenance, vacancy, & operating costs
+5% vacancy		
+7% op. costs		
Gross rent needed	\$2,689.18	This is per unit

[Zillow search of townhome rents.](#)

	1.45
	1.65
	1.20
Rent per sq ft of those townhomes:	1.82
	1.22
	1.65
	1.34
	1.47
Average rent/sq ft	1.47
x 900 sq ft	\$1,326.40

Also see 4-unit Elk Creek Rd table for \$1457/mo. estimate for stand-alone units

\$2689.18 > \$1326.40

Would not work at \$1457, either

Not Happening!



Financials – Elk Creek Rd – Site 3 MFHs, Sell as Condos

0 Elk Creek Rd - sell unit as condo, with profit, 20% down

Item	Amount	Notes
Construction costs	\$799,900	Per ISG Session 3 estimate
Per unit	\$266,633	799900 divided by 3
Sale price	\$300,000	
After 20% down	\$240,000	
Loan fee	\$3,600	
Loan amount	\$243,600	Developer markup on \$267,000 investment per unit
Loan term (years)	30	
Interest rate (APR)	7%	Assuming a FNMA mortgage available
Monthly payment	\$1,620.68	Per a loan calculator

Per previous sheet
 Average rent/sq ft 1.47
 x 1200 sq ft **1768.54***

Zillow & Facebook Marketplace, 2023-8-17

Bd/ba	Sq ft	Type	rent/mo	rent/sq ft
2 bd, 1.5 ba	1200	Twnhm	1695	1.4125
2 bd, 1.5 ba	1200	Twnhm	1795	1.495833
2 bd, 1.5 ba	1170	Twnhm	1700	1.452991
2 ba, 2.5 ba	1050	Apt	1500	1.428571
2 bd, 2 ba	1040	Apt	1395	1.341346
3 bd, 2.5 ba	1152	Apt	1950	1.692708
3 bd, 2 ba	1064	House	1900	1.785714
3 bd, 2 ba	1250	Twnhm	2000	1.6
3 bd, 2 ba	1264	Dupl.	2300	1.81962
			Avg =	1.558809
			*1200 =	1870.571

Works if there is a condo mortgage option for each unit.

Beats renting, plus equity
\$1620.68 < \$1768.54

Works even better at \$1871



Financials – Pattee Rd – Eight Tiny Homes

205 Pattee Rd - Build 8 tiny homes, 30% down

Item	Amount	Notes
Construction costs	\$920,000	Per ISG Session 3 estimate
After 30% down	\$644,000	
Loan fee	\$9,660	Security State charges 1.5%, used as example
Loan amount	\$653,660	
Loan term (years)	25	FNMA ineligible; Sec State will loan for 25 years
Interest rate (APR)	7.5%	Based on current rates
Monthly payment	\$4,830.49	Per a loan calculator
Number of Units	8	
Per unit	\$603.81	
DCSR	1.25	Debt service coverage ratio needed, per Sec. State
NOI	\$754.76	Net operating income must be 1.25 x debt service
+5% maintenance		NOI = Gross rent minus maintenance, vacancy, & operating costs
+5% vacancy		
+7% op. costs		
Gross rent needed	\$909.35	This is per unit

Per previous sheet
 Average rent/sq ft 1.47
 x 450 sq ft **\$663.20***

Zillow, Facebook Marketplace, & Trulia, 2023-8-17

Bd/ba	Sq ft	Type	rent/mo	rent/sq ft
1 bd, 1 ba	394	Apt	860	2.182741
1 bd, 1 ba	450	Apt	1140	2.533333
1 bd, 1 ba	550	Apt	950	1.727273
Std, 1 ba	300	Apt	825	2.75
Std, 0 ba	200	Shed	750	3.75
1 bd, 1 ba	360	RV	1100	3.055556
1 bd, 1 ba	480	Tiny Home	1260	2.625
			Avg =	2.660558
			*450 =	1197.251

*****Financeable*****
\$909.35 < \$1200

Financeable to buy property and build 8 tiny homes. Condos work even better (\$713/month mortgage cost, \$27,500 down).



Financials – Summary

For developers considering rent potential of property

Project Type / Variation	Est. Bldg. Cost	Financeable to buy property and develop as:		If own property already?		At 3.5%?	Notes
		RHA (1 owner)	Condos	RHA	Condos	RHA	
Family quadplex	\$1,511,000	No	No	No	No	No	
Existing home + 2 new MFH	\$828,500	No	Yes	Yes	Yes	Yes	
Existing home + 2 new barndominiums	\$1,454,000	No	No	Yes*	Yes	No	*with 30% down
3 New 1200 sq ft MFHs	\$799,900	No	Yes	Yes*	Yes	Yes	*with 30% down
4 New 900 sq ft MFHs	\$970,400	No	Yes	Maybe†*	Yes	Yes	†* if unit costs are slightly lower and with 30% down
2 New 1800 sq ft MFHs	\$669,400	Maybe†	Yes	Yes*	Yes	Yes	†if rents are high; *with 20% down
Eight new tiny homes	\$920,000	Yes	Yes	Yes	Yes	Yes	



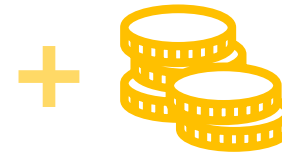
Financials – Add-on Financing



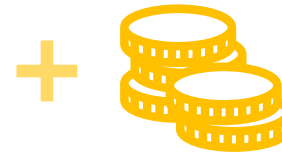
Yarr!



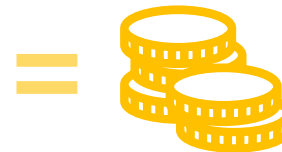
Yarrr?



Down?



Monthly?



Rent booty?

Financials – Add-on Financing – Texas Lane

140 Texas Lane - 3600 sq ft home, 40x60 shop, 20% down

Item	Amount	Notes
Construction costs	\$1,237,000	Per ISG Session 3 estimate
After 20% down	\$989,600	
Loan fee	\$14,844	Security State charges 1.5%, used as example
Loan amount	\$1,004,444	
Loan term (years)	30	FNMA conventional mortgage
Interest rate (APR)	7%	FNMA conventional mortgage
Monthly payment	\$6,682.59	Per a loan calculator

Compare to quadplex at 30% down:

	SFR	Quadplex	Difference
Down	\$247,400	\$453,300	\$205,900
Monthly	\$6,682.59	\$7,142.46	\$459.87

Compare to 4 MFHs (Elk Crk) at 30% down:

	SFR	4 MFHs	Difference
Down	\$247,400	\$291,120	\$43,720
Monthly	\$6,682.59	\$5,095.12	-\$1,587.47

+ each unit could fetch \$1457 per month in rent

Siting four 900 sq ft MFHs is cheaper monthly than the house and shop, and could bring in rent



Financials – Add-on Financing – Elk Creek Rd

0 Elk Creek Rd - Buy lot and site 1 MFH, 20% down

Item	Amount	Notes
Construction costs	\$432,500	Per ISG Session 3 estimate, altered for 1 MFH
After 20% down	\$346,000	
Loan fee	\$5,190	Security State charges 1.5%, used as example
Loan amount	\$351,190	
Loan term (years)	30	FNMA loan
Interest rate (APR)	7%	Based on current rates
Monthly payment	\$2,336.48	Per a loan calculator

Compare to 3 MFHs, FHA loan with 30% down:

	SFR	3 MFHs - FHA	Difference
Down	\$86,500	\$239,970	\$153,470
Monthly	\$2,336.48	\$4,160.00	\$1,823.52
<i>Per RHA</i>	Down	\$79,990	-\$6,510
<i>unit:</i>	Monthly	\$1,386.67	-\$949.81

One homebuyer/developer of all three units would pay \$153,000 more down and \$1,825 more per month. But, the 2 additional units would bring in \$1,870 per month each in rent.

And if three buyers team up on joint FHA mortgage, each buyer pays less than they would if they sited their own MFH on their own property.



Financials – Add-on Financing – Summary

Financing Calculations for Homebuyers Considering an RHA to Offset Costs							
Project (at 20% down)	Down Payment	Monthly	Comparison (at 30% down)	Add'l Down	Add'l Monthly	Rent from Add'l Units	Add'l Monthly Minus Rent
Texas Lane: Build SFR & shop	\$247,400	\$6,683	Quadplex	\$205,900	\$460	\$4,000	-\$3,540
			4 MFHs	\$43,720	-\$1,587	\$4,300	-\$5,887
Texas Lane: Build SFR & shop/ADU	\$259,800	\$7,018	Quadplex	\$193,500	\$125	\$4,000	-\$3,875
			4 MFHs	\$31,320	-\$1,922	\$4,300	-\$6,222
948 Burnt Ridge Rd: Buy existing home	\$100,000	\$2,701	Buy home, add 2 MFHs	\$148,550	\$1,649	\$4,400	-\$2,751
214 Hankin Rd: Buy existing home	\$160,000	\$4,322	By home, add 2 barndos	\$276,200	\$2,551	\$4,600	-\$2,049
Elk Creek Rd: Site a 1,200-sq-ft MFH	\$86,500	\$2,336	Site 3 MFHs	\$153,470	\$1,824	\$3,750	-\$1,926



Conclusions

ISG's ultimate opinion:

- RHA concept is plausible and desirable
- RHAs can be constructed, if a given project will pencil
- There will be demand for RHAs
 - family compounds, and potentially other developments
 - new and welcome flexibility in the rural area
- ISG supported the RHA's inclusion in the code.



Conclusions

Financial analysis results:

- RHAs will not always be feasible
- Less lucrative than development in cities
- Most viable when a developer already owns the property
 - Incremental growth of one's own property
- Or when investing equity from sale of expensive house
- Not likely to lead to runaway rural growth



Conclusions

Feasible RHAs:

- Small-scale condo properties
- Redevelopment of property owned outright to add a few units
- Small-scale tiny home developments (can be very affordable);
- “Add-on” to home purchase, with equity from sale of prior home
 - family compounds, or
 - akin to two-flats
- Cooperative purchase of multiple small homes on one lot



Conclusions

The Sweet Spot for Rural Housing

- New, flexible rural option
 - Improve housing stock availability & affordability
- Constrained and difficult enough not to lead to sprawl
 - Matches form and impacts of rural SFRs
- Financial constraints will reinforce land-use constraints
 - Makes land-use constraints more credible



Questions, Reactions, Discussion

Question?
Reactions?
Discussion?





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