



Community Development

2025 NE Kresky Ave

Chehalis, WA 98532

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Rural Housing Alternative Further Considerations

Planning Commission Workshop

December 12, 2023



Presentation Agenda

Draft code – please see staff report and code commentary

Questions from last workshop:

- 1. Why let people choose to live in the rural area?**
- 2. Is it likely that anyone will do an RHA?**
- 3. How to guard against unintended consequences?**

Next Steps



Rural Housing Choice

**Why let people choose
to live in the rural area?**



Rural Housing Choice

Why let people choose to live in the rural area?

Freedom



Creative commons license. Credit: Andy Morffew



Rural Housing Choice

Why let people choose to live in the rural area?

They are already there.

Ordinance 1346
Exhibit A

Table 1: Lewis County 2045 Population Allocations

City	2022 Total Population	2045 Population Allocation	20-Year Population Increase	20-Year Growth Rate
Centralia	22,376	24,000	1,624	7.26%
Chehalis	9,845	23,000	13,155	133.62%
Morton	1,302	1,351	49	3.75%
Mossyrock	906	1,058	152	16.78%
Napavine	1,969	2,978	1,009	51.24%
Pe Ell	658	680	22	3.30%
Toledo	747	2,537	1,790	239.63%
Vader	899	1,110	211	23.47%
Winlock	2,115	4,756	2,641	124.87%
Total City	40,817	61,469	20,652	50.60%
Onalaska UGA	562	700	138	24.56%
Packwood LAMIRDs	910	1,200	290	31.87%
Other Rural	41,157	41,582	425	1.03%
Total Unincorporated	42,629	43,482	853	2.00%
Total Lewis County	83,446	104,951	21,505	25.77%

Unincorporated Pop. = 51%



Rural Housing Choice

How are things going for this population in the rural area?



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RHA – Food for Thought

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Rural Housing Choice

How are things going for this population in the rural area?

Rural/Resource Land residences in Lewis County are **larger** than residences in denser/urban lands, and are **getting larger slightly faster and more uniformly**.

Mean and Median Square Footage of Finished Space in Lewis County Stick-Built Residences by Land Use Characterization, Over Time

	<u>1850-1999</u>			<u>2000-2021</u>			<u>Change since 2000</u>		
	Median	Mean	Skew	Median	Mean	Skew	Median	Mean	Skew
RDD+Resource	1674	1770	-6%	2057	2050	0%	23%	16%	normalized
Denser/Urban	1423	1545	-9%	1716	1845	-8%	21%	19%	still skewed



Rural Housing Choice

How are things going for this population in the rural area?

LC rural home prices are rising faster.

Median Sale Price (All Homes) – Select LC Zip Codes

ZIP Code	Character	March-May 2013	March-May 2023	Percent Increase
Centralia - 98531	Most Urban	\$127,000	\$358,333	182%
Mossyrock - 98564	Urban	\$144,000	\$565,667	293%
Curtis - 98538	Rural	\$129,333	\$533,333	312%
Packwood - 98361	Most Rural	\$112,000	\$481,667	331%

Source: <https://www.redfin.com/news/data-center/>

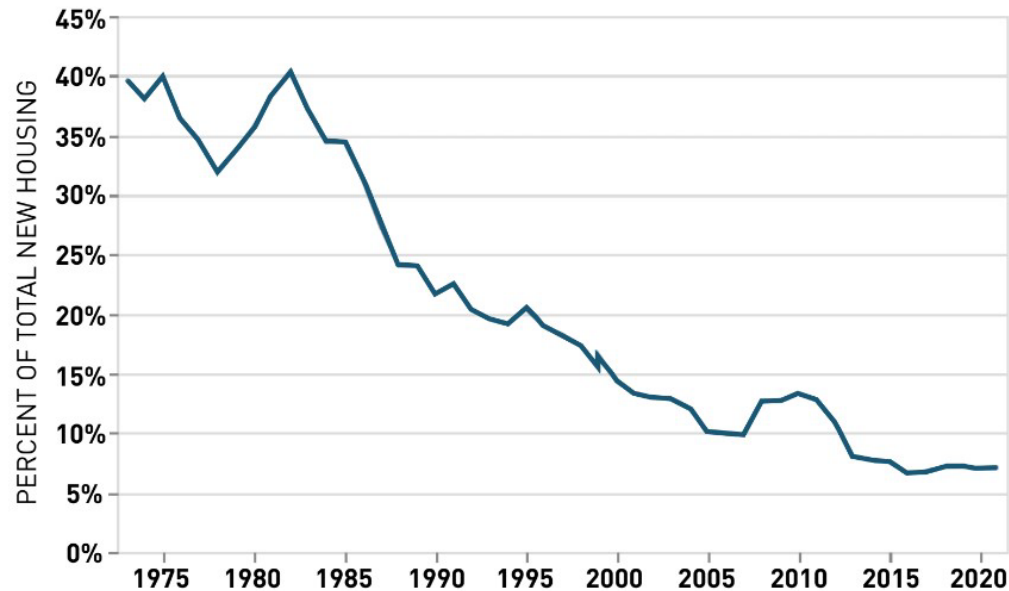


Rural Housing Choice

Is this unique? Nope!

Source: Kronberg U+A
(Nationwide figures)

DECLINE OF SMALLER/ STARTER HOME CONSTRUCTION, 1973-2021



NOTE: SMALLER HOMES REFERS TO HOMES LESS THAN 1,400 SF

DATA SOURCE: Characteristics of New Housing - U.S. Census

CHANGING DEMOGRAPHICS: HOUSEHOLD SIZE



	1950	2017	
NUMBER OF PEOPLE PER HOUSEHOLD	3.8	2.5	
AVERAGE SF OF NEW SINGLE-FAMILY HOME	983	2,571	
SF OF LIVING SPACE PER PERSON	292	1,012	x3.5

DATA SOURCE: AARP Publication: The ABCs of ADUs

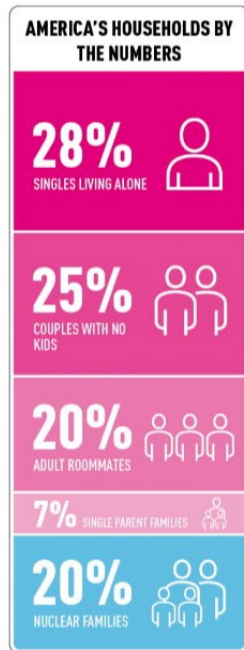


Rural Housing Choice

Is this unique? Nope!

Source: Kronberg U+A
(Nationwide figures)

SUPPLY vs DEMAND: HOUSING TYPE



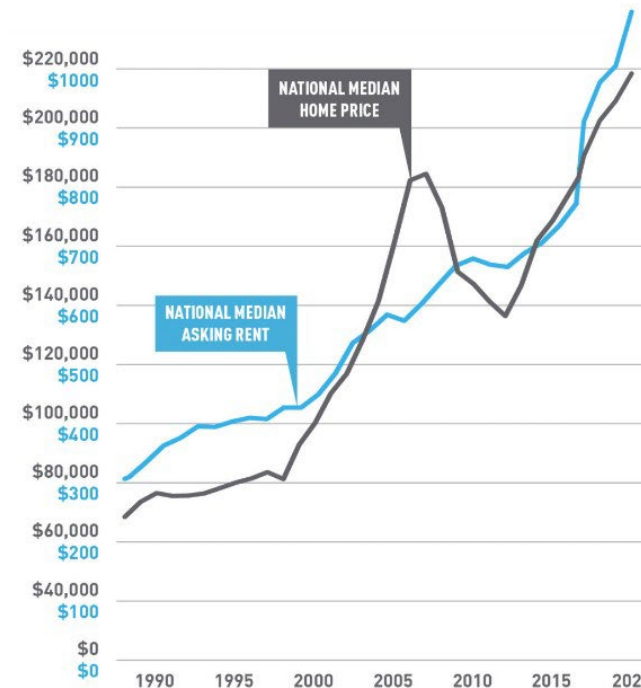
80%
OF AMERICAN HOUSEHOLDS ARE NOT TRADITIONAL NUCLEAR FAMILIES



BUT 72%
OF AMERICAN HOUSING UNITS CATER TO TRADITIONAL NUCLEAR FAMILIES

DATA SOURCE: AARP Publication: Making Room <https://www.aarp.org/livable-communities/housing/info-2018/making-room-housing-for-a-changing-america.html>

HOUSING AFFORDABILITY



SINCE 1998, RENTS AND HOME PRICES HAVE RISEN PRECIPITOUSLY.

DATA SOURCES:
AARP Making Room, 2018
Standard & Poor's Case-Shiller National Home Price Index
Table 11A. Median Asking Rent for the U.S. and Regions: 1988 to Present, U.S. Census Bureau



Rural Housing Choice

But, land use in Lewis County's rural areas amplifies this. . .

- **Bigger houses**
- **Large lots**
- **Predominately SFRs**

. . so, how are we doing in terms of affordability?



Rural Housing Choice

Census Data (2021 ACS 5-yr Estimates)
 No. Households by Household Income in the Previous Year (in 2021 Dollars)

	Lewis County	Centralia	Chehalis	Morton	Mossyrock	Napavine	Pe Ell	Toledo	Vader	Winlock
Total:	31,223	7,463	2,987	464	252	539	256	226	249	602
Less than \$10,000	1,357	495	162	28	16	19	17	3	8	30
\$10,000 to \$14,999	1,513	645	147	56	12	23	3	10	6	26
\$15,000 to \$19,999	1,531	554	241	28	11	22	10	11	18	28
\$20,000 to \$24,999	1,470	540	138	34	16	4	9	23	19	29
\$25,000 to \$29,999	1,554	627	196	6	33	28	8	14	11	9
\$30,000 to \$34,999	1,637	218	168	23	27	4	16	19	12	17
\$35,000 to \$39,999	1,148	277	87	32	37	35	35	0	19	23
\$40,000 to \$44,999	1,720	458	238	44	9	21	8	11	9	31
\$45,000 to \$49,999	1,410	378	58	18	23	2	0	5	21	29
\$50,000 to \$59,999	2,117	466	226	65	8	61	39	24	37	73
\$60,000 to \$74,999	3,521	885	344	28	13	56	35	14	33	78
\$75,000 to \$99,999	4,533	784	512	47	12	65	43	31	47	62
\$100,000 to \$124,999	2,876	464	245	16	12	105	13	13	4	105
\$125,000 to \$149,999	1,743	257	82	20	2	60	17	0	0	48
\$150,000 to \$199,999	1,959	305	95	14	0	16	3	28	5	9
\$200,000 or more	1,134	110	48	5	21	18	0	20	0	5

Calculation

Unincorp. County	% of Unincorp. Cty Households	
Unincorp. County	18,185	100%
	579	3% +
	585	3% +
	608	3% +
	658	4% +
	622	3% +
	1,133	6% +
	603	3% +
	891	5% +
	876	5% +
	1,118	6% +
	2,035	11% = 53%
	2,930	16% ←-----\$91,701 is here
	1,899	10% ←---\$100,687, here
	1,257	7%
	1,484	8%
	907	5%

53% of households living in unincorp. Lewis County could not afford a 2021-median priced home in Lewis County at today's rates.

For more expensive rural houses, it is 16% more: 69% are priced out. Prices have only gone up since 2021.

Not great!
 Around 69% of Lewis County's unincorporated population could not afford a median-price home at today's rates.

That's 30,000 people.

Per WCRER, Median Home Price in 2021 in Lewis County was \$364,300
<https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2023/03/HMR-4Q2022-annual-medians.pdf>

But rural houses in the county cost more, perhaps \$400,000. (See Redfin data.)

Housing Cost Calculations

Assume 10% down* = mortgage of \$327,870	Assume 10% down* = mortgage of \$360,000
Assume 30-yr fixed rate mortgage at 7.5%	Assume 30-yr fixed rate mortgage at 7.5%
Monthly Payment \$2,293	Monthly Payment \$2,517
Annual Total \$27,510	Annual Total \$30,206
Annual Income Needed \$91,701	Annual Income Needed \$100,687

* The median downpayment nationally in 2021 was 6%, per the National Association of Realtors.



Rural Housing Choice

Why let people choose to live in the rural area?

Equity

USE TYPE		RURAL (RDD)		
RESIDENTIAL		RDD-5	RDD-10	RDD-20
A	Single-family residential	P	P	P
B	Accessory dwelling unit	P	P	P
C	Duplex	P (10-acre minimum lot size)	P (20-acre minimum lot size)	P (40-acre minimum lot size)
D	Multifamily housing	X	X	X



Rural Housing Choice

Upshot of the status quo / GMA's implicit bias:

Rich people can choose to live in the rural area. It is only poorer people whose choice to live in the rural area is being limited.

RCW 36.70A.070(2)(a): "A housing element . . . Makes adequate provisions for existing and projected needs of **all economic segments of the community**, including . . . Incorporating consideration for low, very low, extremely low, and moderate-income households"

RCW 36.70A.030(35): 'Rural character' refers to the patterns of land use and development . . . That foster traditional rural lifestyles, rural-based economies, and opportunities to **both live and work** in rural areas"



Rural Housing Choice

Why let people choose to live in the rural area?

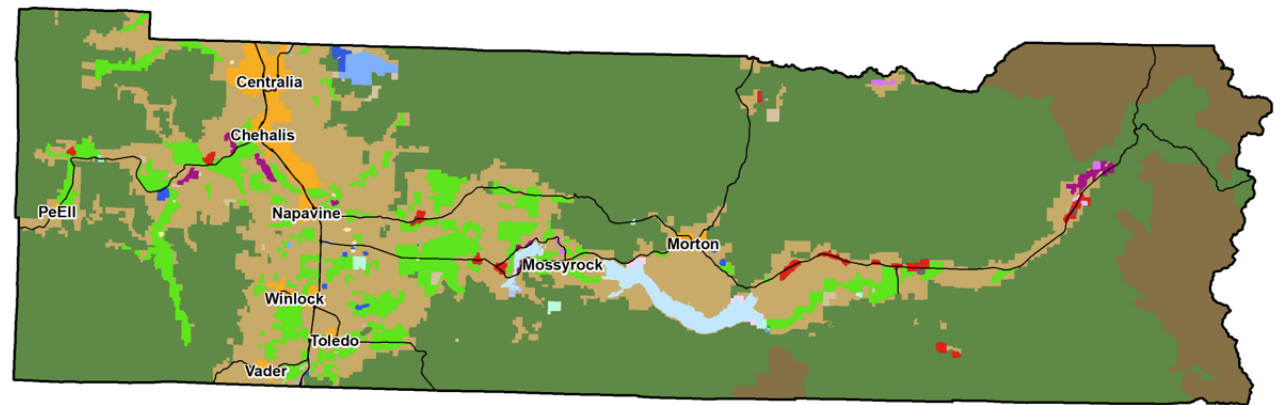
Proximity

2400 square miles

70% resource land / tourist areas

People should be able to live close to work.

70% working resource / tourism land



Lewis County, Washington

— Lewis County Boundary
— Interstates and Highways

■ Cities

Zoning

■ Agricultural
■ Forest/Timber
■ Mining
■ Rural Residential
■ Wilderness

LAMIRDs

■ Small Town Residential (STR-4)
■ Rural Residential Center (RRC-R2)
■ Rural Residential Center (RRC-R1)
■ Small Town Mixed Use (STMU)
■ Crossroads Commercial (CC)
■ Freeway Commercial (FC)
■ Small Town Industrial (STI)
■ IPAT County UGA (MID)
■ Rural Area Industrial (RAI)

Updated November 2023



Planning Division, Community Development



This map was created by Lewis County Geographic Information System. The accuracy of the map has not been verified and should be used for informational purposes only. Any possible discrepancies should be brought to the attention of Lewis County GIS. State Plane Washington South FIPS 4602 North American Datum 1983 North American Vertical Datum 1988 (Topography)



Pause

Questions?
Reactions?
Discussion?



RHA Likelihood

Is it likely that anyone would develop an RHA?



The image is a dark blue cover for a report. At the top left is a white bar chart icon. To its right, the text 'WINDERMERE' is in a small font, and 'Economics' is in a larger font. The main title, 'AN ECONOMIC & HOUSING MARKET FORECAST FOR LEWIS COUNTY, WASHINGTON', is centered in large, bold, white capital letters. Below the title, it says 'PRESENTED BY: MATTHEW GARDNER' and 'CHIEF ECONOMIST; WINDERMERE REAL ESTATE' in smaller white text.

WINDERMERE  REAL ESTATE

Market conditions → demand for smaller units
Equity conditions → potential supply ability



December 12, 2023

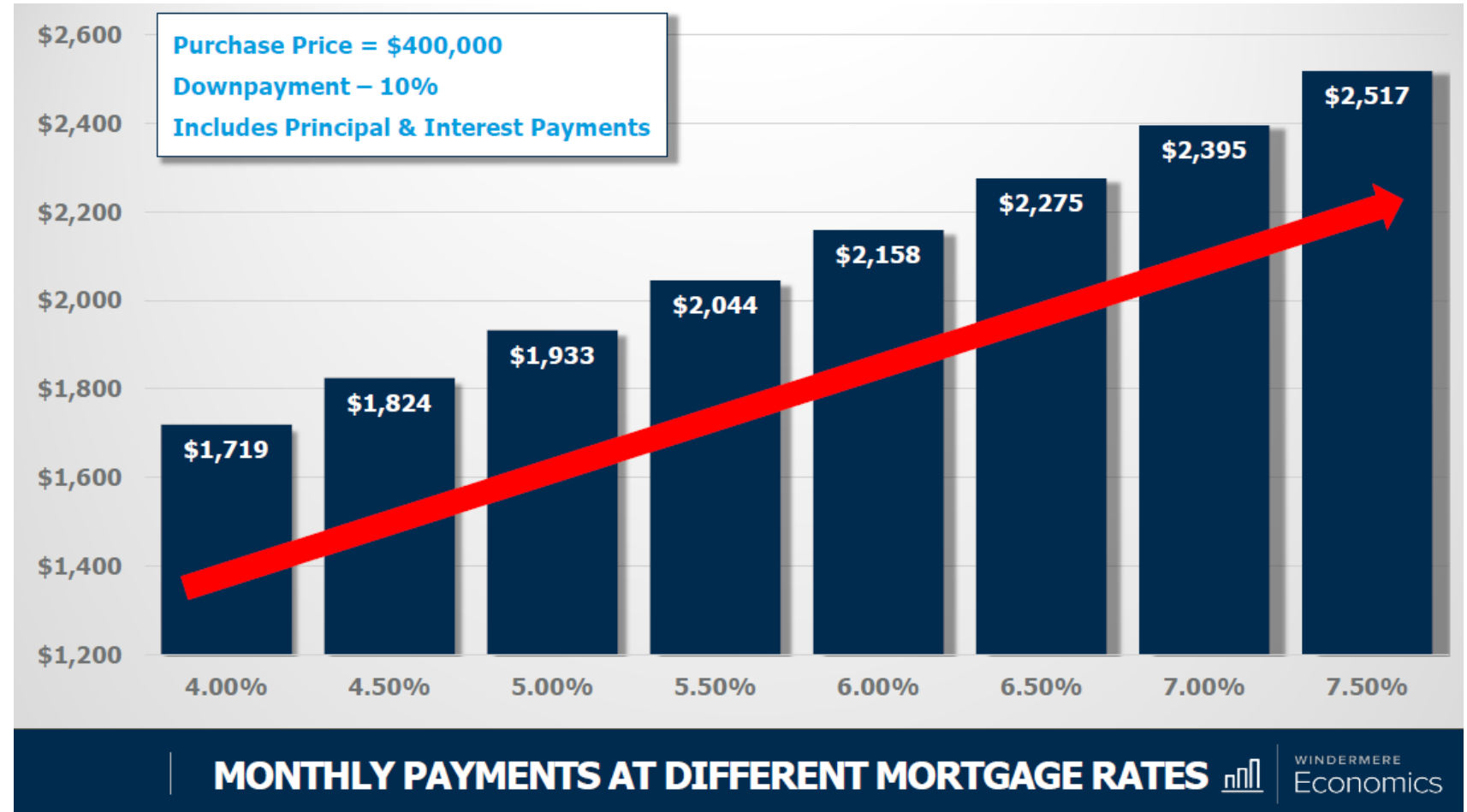
RHA – Food for Thought

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RHA Likelihood

Is it likely that anyone would develop an RHA?

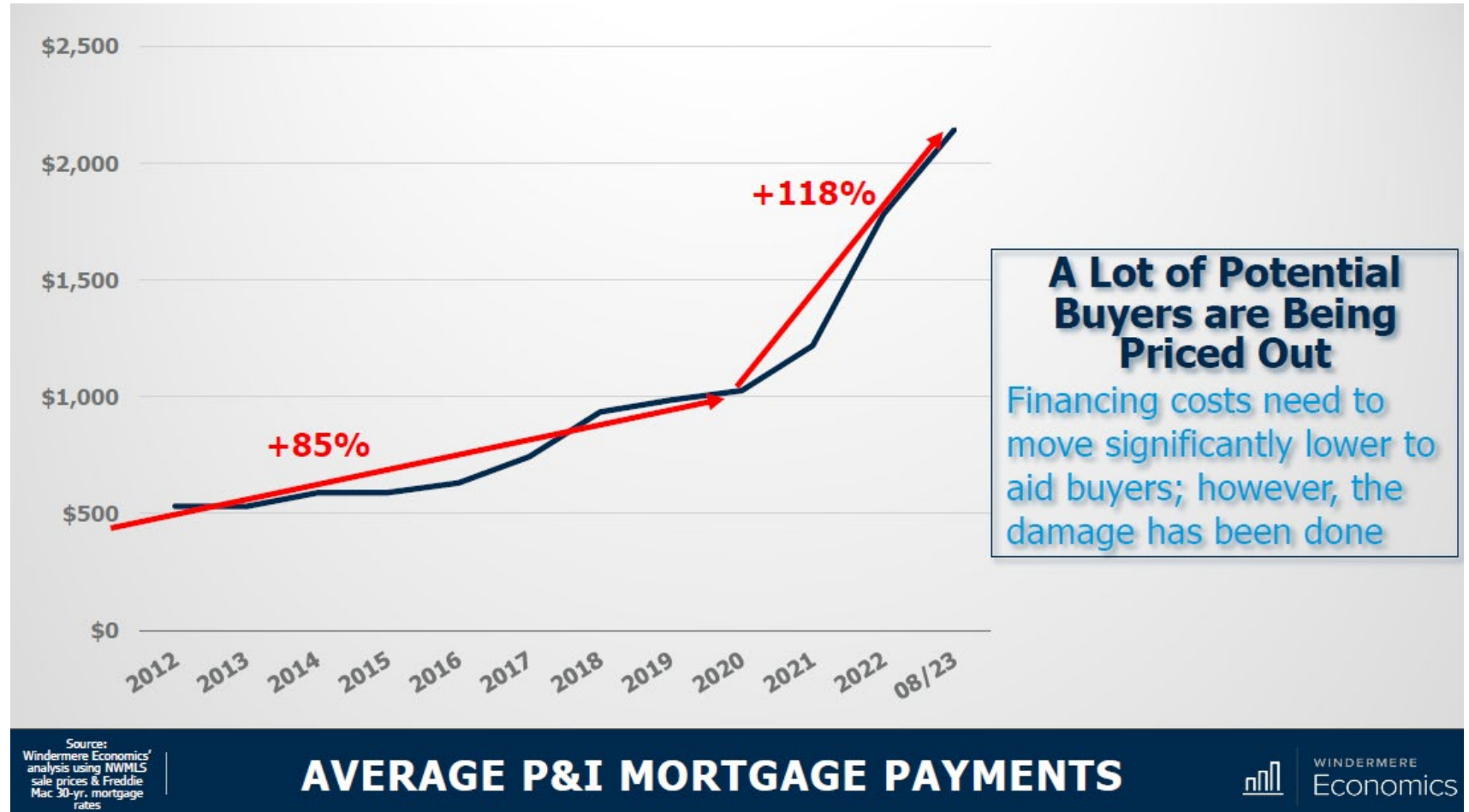
Market conditions creating demand for smaller units



RHA Likelihood

Is it likely that anyone would develop an RHA?

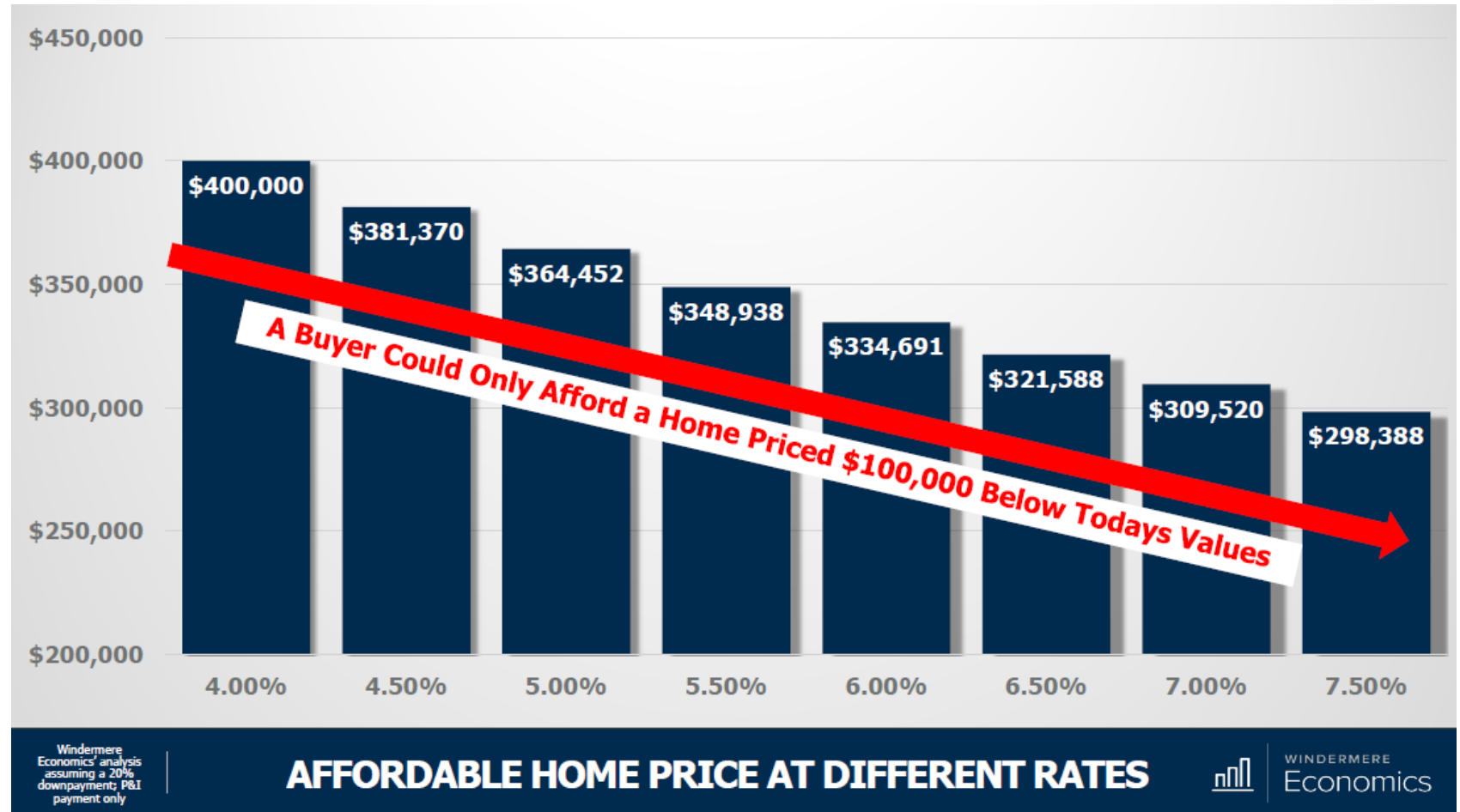
Market conditions creating demand for smaller units



RHA Likelihood

Is it likely that anyone would develop an RHA?

Market conditions creating demand for smaller units



RHA Likelihood

Is it likely that anyone would develop an RHA?

**Market
conditions
creating
demand for
smaller units**

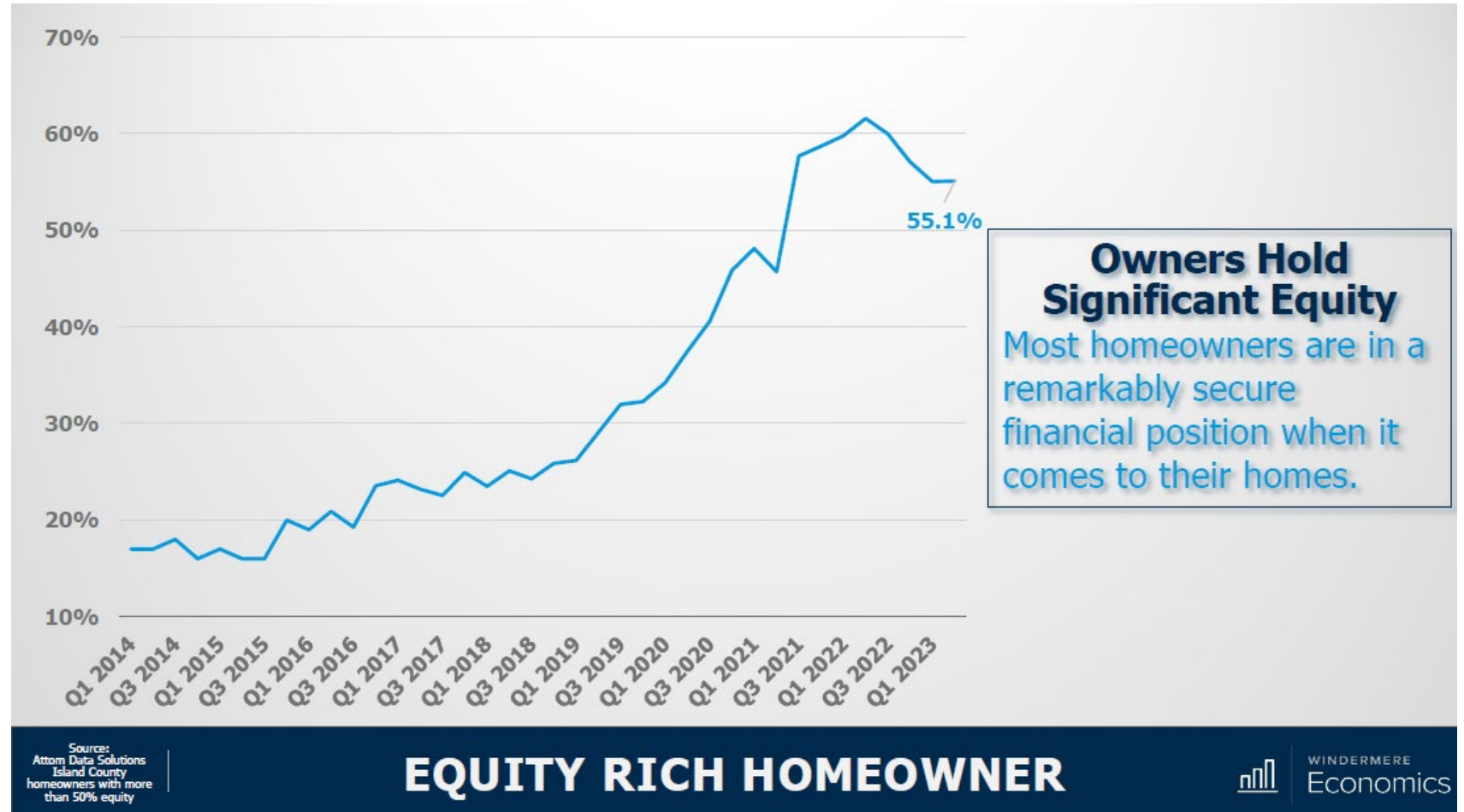
- That was countywide data — it's likely worse in the rural area.
 - Where are you going to get units that are \$100,000 cheaper (or more)?
 - Can't change interest rates
 - Can't control market values
- ... but we can enable people to add or build smaller units.



RHA Likelihood

Is it likely that anyone would develop an RHA?

Equity conditions allowing for potential supply



RHA Likelihood

Is it likely that anyone would develop an RHA?

Equity
conditions
allowing for
potential
supply

- In 2022, about 40% of owner-occupied households (9,328) owned **free and clear**.
- These homes are usually worth a lot now; that is significant equity.
 - Add units to existing owned lots
 - Plow high sale revenue into next house

The high-equity RHA scenarios penciled.



Pause

Questions?
Reactions?
Discussion?

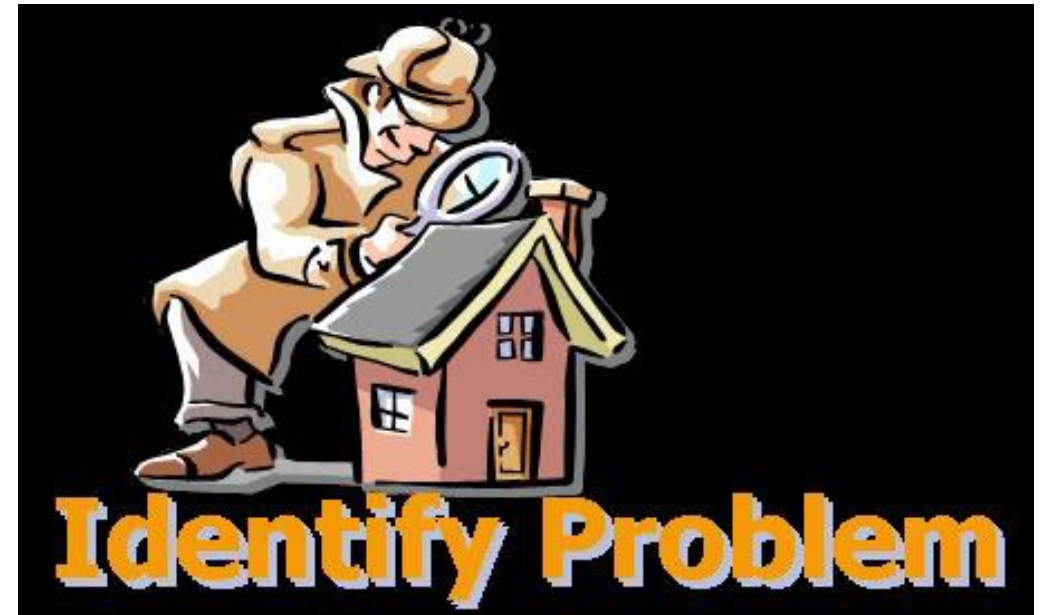


Guardrails

How do we guard against unintended consequences?

- **What consequences?**

- Urban growth in the rural area
– GMA says guard against it!
- Smaller or less expensive homes per se – no, GMA requires counties to provide housing at all income levels
- So, figure out the problem you seek to address and tailor guardrails to it



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Guardrails

Guardrails Already in the Draft Code

- **Large lots that can't be subdivided**
- **Clustering of units**
- **Residential square footage cap**
- **Shared access**
- **Occupancy limitations**
- **Increased setbacks**
- **Prohibition on short-term rentals**
- **Adequate public facilities review**
- **Prohibition on demand for urban services**



Guardrails

Guardrails not Mentioned in the Draft Code but Present

- **Building or L&I code compliance**
- **Well and septic regulations**
- **Critical areas regulations → really affect local feasibility**
- **Cost and lending constraints**
- **Profit motive (risk vs. return)**



Guardrails

Possible Additional Guardrail Strategies

- **Pilot Project: allow only a set number of RHAs; use a lottery for all applications put in by a certain date**
 - Pros: Limits impacts, no runaway possibilities
 - Cons: Uncertainty for developers, limited usefulness, staff costs to monitor this, more code action needed to continue program, no guarantee the few that get done are high-quality developments
- **Cap RHA developments to certain number per year (per area?)**
 - A compromise of the pros and cons above, but more costs to monitor



Guardrails

Possible Additional Guardrail Strategies

- **Allow only in certain areas (overlay on some RDD zones)**
 - **Pros: centralized, up-front decision as to where RHA can go**
 - **Cons: requires deciding where it can go; may take large areas out of play (postage stamp & proximity to work problems)**
- **Screening and buffering – setbacks and landscaping**
 - **Pros: decreased visual impacts, higher property values**
 - **Cons: increased development costs, less affordability**



Guardrails

Possible Additional Guardrail Strategies

- **Cap number of dwelling units in RHA (e.g., 4)**
 - **Pros:** prevents tiny homes or mini RV parks, if that is a pro
 - **Cons:** decreases development potential & affordability
- **Aesthetic design standards (must be objective)**
 - **Pros:** nicer looking developments, quality control
 - **Cons:** increased costs, less affordability, new ethos, political feasibility (Freedom!), new permitting module needed



Guardrails

Possible Additional Guardrail Strategies

- **Special use permit (includes a public hearing)**
 - Pros: sophisticated review of all standards, public participation
 - Cons: Increased uncertainty, increased time and costs for developers, huge workload increase for staff, vitriol
- **Disallow certain dwellings (e.g., no RVs or no wheels)**
 - Pros: nicer looking developments, quality control
 - Cons: increased costs, less affordability, not consistent with other rural county permitting, big political feasibility issue, “mom” issue



Guardrails

Possible Additional Guardrail Strategies

- **Something else!**
 - Based on identifying consequences you want to guard against
- **Any combination thereof**
 - Be aware of cumulative effect and/or chilling effect



Questions, Reactions, Discussion

Questions?

Reactions?

Discussion?



Next Steps

- **Update draft code based on this workshop**
- **Share with other county departments**
- **Shop to key stakeholders again (e.g, fire districts)**
- **Final (?) workshop January 23**
- **PC Hearing *tentative* February 27**
- **BOCC Hearing May/June**
- **Monitoring and revision in coming years**
 - **Comp Plan implementation in 2025 = chance to revise if needed**





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