

Planning Commission Workshop



Community Development • 2025 NE Kresky Ave, Chehalis, WA 98532 • Phone: (360) 740-1146

STAFF REPORT

RURAL HOUSING ALTERNATIVES

Date: April 3, 2023
Staff: Eric Eisenberg, Housing and Infrastructure Specialist
Mindy Brooks, Senior Long Range Planner
Re: **Housing Affordability, Size and 2.5 Acre Lots**

INTRODUCTION

At the January 10, 2023 Planning Commission meeting there was interest in the possibility of an RDD 2.5 zone (minimum lots size of 2.5 acres) as a means of increasing housing availability and affordability. Subsequent discussions have included expressions of opinion that RDD 2.5 zone would be much less constrained than RDD 5 zone (minimum lot size of 5 acres) and more useful at creating affordable housing than allowing more housing units as proposed under the Rural Housing Alternatives approach proposed by staff.

There are Growth Management Act concerns with an RDD 2.5 option, which are addressed in a separate memo. This memo looks at the question, **“Would RDD 2.5 result in housing stock that best helps with the current affordable housing crisis?”** Although the increase in single family residences that would result from RDD 2.5 zoning would increase overall housing stock, staff propose that the type and quantity of that housing stock would not help nearly as much as the units that could result from the proposed Rural Housing Alternative.

BACKGROUND

1. About 85% of Lewis County’s housing stock is detached, single-family structures.¹
2. Two-thirds of Lewis County’s housing units have three or more bedrooms, but nearly two-thirds of Lewis County households have only one or two people.²
3. Countywide, the median home sale price rose 204% from Q1 2012 to Q1 2022, and there were less than a fifth as many homes for sale at the end of that period.³
4. Median household income grew at only 36.5% in the closest comparable census time frame.⁴
5. Home prices are rising at different rates, with rural area prices appearing to rise faster.⁵

¹ American Community Survey 2021 5-year estimates, Lewis County.

² *Id.*

³ Washington Center for Real Estate Research, <https://wcrer.be.uw.edu/>.

⁴ American Community Survey 2011 and 2021 5-year estimates, Lewis County (inflation adjusted). Census data is available at <https://data.census.gov/>.

⁵ Per Redfin data, from 2013 to 2022, Centralia’s price increase was about 181%, whereas Mossyrock, Curtis, and Packwood saw increases of 217%, 285%, and 334%, respectively. <https://www.redfin.com/news/data-center>.

COST BENEFIT ANALYSIS

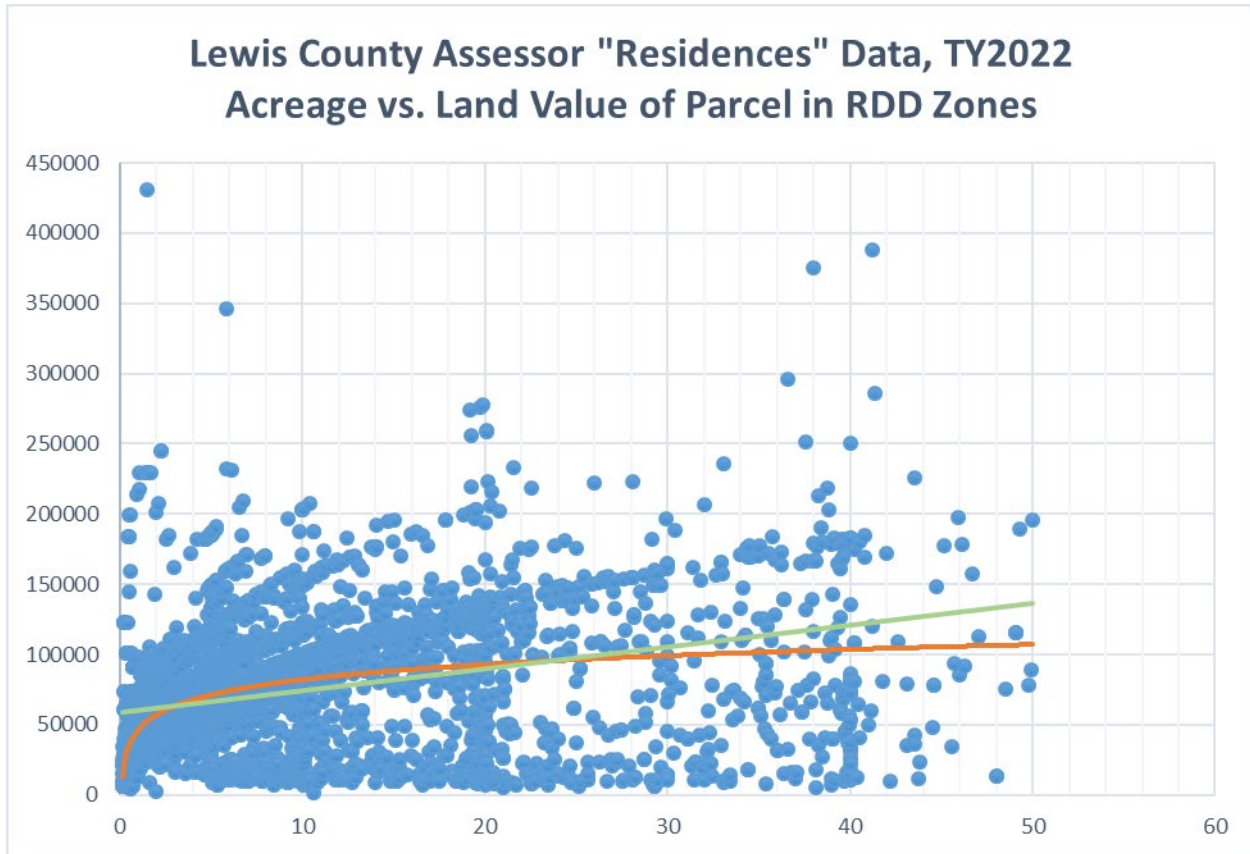
From the data cited above, staff propose that prices are rising due to lack of supply to meet demand. Rural housing prices are rising faster than urban prices in part because, under the GMA in rural areas, the only readily buildable housing option is a single family residence on a large lot, which is expensive. There is no way to downsize to smaller units (e.g., duplex, triplex) for affordability. In contrast, in cities one can build (and rent) multifamily units, which ameliorates price increases as people choose units that are right-sized for their needs.

An RDD 2.5 zone would increase the amount of single family residential houses that could be built and would reduce the amount of land they sit on. This could reduce the rise in rural housing prices.

But an RDD 2.5 zone would not help with right-sizing housing units to Lewis County's typical household size. The dominant housing stock with 3 to 4 bedrooms is too big for a large majority of our households with 1 to 2 people, and therefore needlessly expensive for them. An RDD 2.5 zone would perpetuate large single family residences on fairly large lots; it would not likely help as much with affordability as a strategy designed to encourage smaller units.

Indeed, there is some reason to believe that reducing the lot sizes from 5 to 2.5 acres would generate more but nearly equally expensive houses. Compared to a city lot of $\frac{1}{4}$ acres or smaller, 2.5 acres is still quite a large lot, and a single family residence on such a lot places the land cost on a single owner. The land value of the 2.5 acres may not differ appreciably from a 5-acre lot. Figure 1, below, is a scatterplot of acreage vs. assessed land value for all Lewis County stick-built residences on parcels of less than 50 acres in RDD zoning. The data is from tax year 2022, so it largely reflects observations or conditions from the summer of 2021. Using Excel's trendline functions, a sample linear trendline is inserted in green, and a logarithmic trendline inserted in orange.

Figure 1.

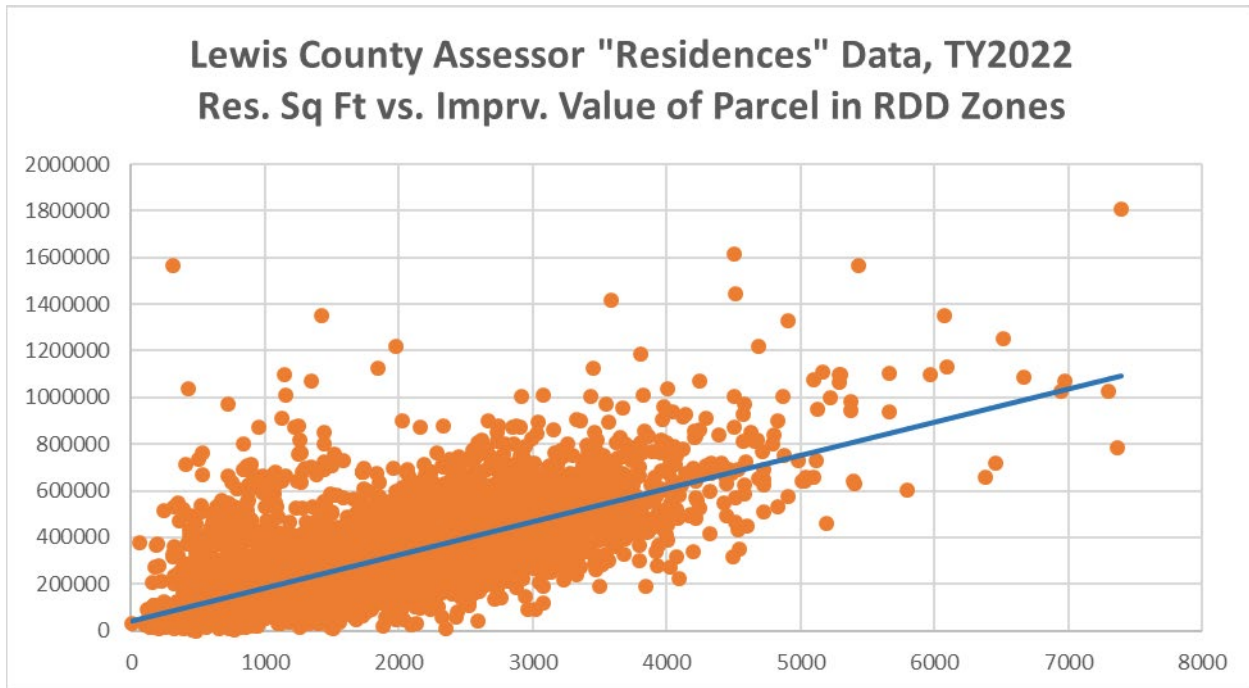


Legend: Each blue dot represents a stick-built residence in Lewis County on a parcel of 50 or fewer acres, zoned RDD, for the 2022 tax year. They are plotted by acreage (x-axis) vs. assessed land value (y-axis). A linear trend line appears in green; a logarithmic trend line in orange.

Whichever trendline best describes the data, the difference in average land value between 2.5-acre parcel and a 5-acre parcel is quite modest: roughly \$10,000. Certainly, that amount of reduced cost is better than no reduction, but it is not a very big reduction in costs when housing prices have gone up by an average of \$200,000 or \$300,000, depending on location, over ten years.

For comparison, Figure 2, below, is a scatterplot of the same stick-built residences on parcels of less than 50 acres in RDD zoning in Lewis County, based on the same tax year 2022 data, but Figure 2 plots total finished residential square footage vs. the improvement value of the parcel.

Figure 2.



Legend: Each orange dot represents a stick-built residence in Lewis County on a parcel of 50 or fewer acres, zoned RDD, for the 2022 tax year. They are plotted by total finished residential square footage (x-axis) vs improvement value (y-axis). A linear trend line appears in blue.

Figure 2 shows a clear linear trend in which the total residential space is related to value. The value difference between a 3,000 square foot unit and a 1,000 square foot unit is, on average, about \$300,000. So, incentivizing someone to build three 1000-sq-ft housing units instead of one 3000-sq-ft housing unit would produce drastically less expensive residences.

These data strongly suggest that that producing more, smaller units will both increase housing supply faster and produce far greater affordability benefits than allowing single-family residences on a 2.5-acre lot.

DEMAND FOR SMALLER UNITS

Despite the smaller units' clear advantage in affordability, there is a question of whether there would be demand for smaller units in rural areas. Staff recently attended the local realtors' "Lunch & Learn" to discuss the rural housing alternative approach, and received an overwhelming positive response that there would be demand for such smaller units. Perhaps this is because of the fact that most households in Lewis County have only 1 or 2 people. It is foreseeable that these 1- or 2-person households might prefer a smaller unit than a 3-bedroom house. If any of these households currently live in a 3-bedroom house and downsize, a large house is freed up for a family that prefers the larger space.

Even wealthier individuals or families may opt for smaller accommodations at times. The manager of the Morton and Randle mills for Hampton Lumber reported to staff that Hampton has trouble recruiting for \$100,000-starting-salary mill positions due to the lack of rental housing options in East County. The

professionals who apply for these jobs often do not want to immediately buy a house upon hiring; they wish to rent more modest lodgings for a few years and save while they decide whether to live in Lewis County long-term. An RDD 2.5 zone would not necessarily remove the economic barriers to rental homes in the rural area (one unit to rent creates high risk for the landlord), but an alternative enabling multiple smaller units in common ownership encourages rentals.

STAFF RECOMMENDATION

Based on the analysis, it appears that an RDD 2.5 zone would not do as good a job at creating affordable residences as an option of allowing more housing units in the RDD 5 zone. Staff recommend continuing with the process of vetting the Rural Housing Alternatives with stakeholder groups and the public. The results of the engagement will be shared with the Planning Commission. Staff also recommend moving to the next step of drafting development regulations (Lewis County Code) that would allow multiple units in the RDD 5 zone for consideration by the Planning Commission.

NEXT STEPS

The engagement and vetting will take place March – May 2023. An update will be provided to Planning Commission at the July 11, 2023 meeting. Staff anticipate bringing draft development regulations forward to Planning Commission at a workshop on July 25, 2023.