



March 8<sup>th</sup>, 2021

To: Honorable Mayor and City Council

From: Byron Borton, Eastern Washington Residential Developer (The Lodges, Castle Creek, University Parkway Apartments, Powerhouse Flats)

Subject: Affordable Housing Discussion for Yakima

Facts:

- Vacancy Rates remain below 2% in most housing Rental offerings, across nearly all Unit types
- Local Developers are trying to Satisfy that Demand in Yakima, by Building both rental and permanent housing units across all sectors. These projects typically take 24-30 months to get fully entitled, and then constructed. Several hundred Units are in the current Pipeline.
- Building Costs have risen Substantially in just the past 6-months, and steadily over the past 3-5 years. Lumber is up over 3X, and OSB is nearly 5X over past pricing from just 12-months ago. *(In 2015 my cost to Build Apartment Units was around \$95,000. Today that Unit cost is approaching \$140,000.)*
- Pacific Power is holding up the Construction of Several Housing Developments, along with the Jobs and Dwelling units those Projects will provide the Yakima Market. *(ex. Stealth investments & J&C properties on Powerhouse Rd, and Aspen Tree on Washington & 64<sup>th</sup>)*
- The Housing Crisis and lack of available units is not unique to Yakima. Nearly all non-urban areas in Washington state, Oregon, and Idaho are experiencing the same Demand, and lack of Inventory.
- The Lodges project began in 2017, and is now just finishing Completion (4-years). Providing substantial volumes of new dwelling units will not happen in just one or two seasons.
- 66% of the Units at The Lodges Qualify as Affordable Housing per the Federal Fannie Mae Guidelines. These units are priced below market rents, as my Strategy is to offer Quality, as affordably as possible. Market rents would be \$100-\$200 more monthly, per dwelling unit.



Solutions and Ideas:

1. New Housing of ALL types will ultimately help soften the Housing Crisis and open-up more places to live. For example, in our Complexes, many people are looking to move to Single Family Dwellings, but that inventory is extremely light, therefore they don't move. Any lack of product type creates vacancy compression. Yakima needs more of ALL Types of Homes and Dwellings. Developers will Build what they deem is in Demand, when allowed to do so.

2. Revisit the City UGA, and desired growth Annexation Area. Identify large area such as Terrace Heights where most of the Valley's Growth will occur in Coming Years.

3. If the city council were willing to Draft a letter to Pacific power on behalf of Developers in the Valley, it would speak volumes to understanding our Challenges, and show support for new projects and dwellings being constructed. This problem is nearly Universal in Yakima.

This "Unforeseen" bottleneck is real, and slowing down several project by 8-16 months. In Cooperation with the County Commissioners, perhaps a formal plea for help to Pacific Power; focused on Jobs being delayed (or lost), and the unpredictably Delayed timelines on new development projects. This Letter or Communication would speak volumes to Developers trying to Satisfy demand in our valley.

4. Higher Building costs = Higher Housing Prices & Higher Rental rates. Any ideas to Mitigate these costs would be positive.

a. Changing the sewer hookup fees to match with Square Footage, or other metrics would be positive. 500 Square foot Studio apartments should not be paying the same fee as 5,500 SF 4-bathroom Houses.

b. Amortizing the Connection fees over the First 5-10 years of Billing would also save the developer the Up-front costs of Hook-up fees. Assign a reasonable Rate of return on top of the proposed hook-up fee, and then bill the user that cost over an extended period of time.

c. A cohesive ADU plan will help create more Dwellings. ADU typically cost less than Stand-alone units, and provide income for the homeowner investing in the ADU. Also, ADU owners are commonly supplementing their incomes, and therefore do not always command the Highest Rental Rates that professional Rental companies expect. Omitting the Hookup fees and or additional permit fees for ADU's would also incentivize their Construction.



d. Infrastructure Investment. East and West. Identify the areas will large amounts of Developable ground, but which are not adequately served by Utilities. Terrace Heights, Wide Hollow, and West Summitview, all come to mind. Builders will Fulfill this demand if there are feasible ways to Build new units. In many cases, without City Help on infrastructure, it is just not financially feasible.

5. Be partners and "Value-Add" for developers and those People trying to bring growth and NEW Dwellings to the Yakima Valley. The attitude of "We want this to Work" speaks volumes with the investors, builders, and leaders in Yakima. The City has been excellent in recent years, of Communicating and Advancing projects that Benefit the housing in the Yakima Valley. If we continue to Embrace that methodology, Yakima will Continue to flourish, and there will be a steady stream of wonderful new places built for Everyone to Enjoy and Live.

Kind Regards

Byron Borton