

COUNCIL INFORMATION MEMORANDUM

To: Bob, Harrison, City Manager
From: Joan Davenport, Director of Community Development
Date: November 1, 2021
Subject: Council Requested Update on Affordable Housing Issues

At the September 21, 2021 City Council meeting, staff was directed to report on two issues raised in Council discussion related to affordable housing. Both of these items were identified in a March 8, 2021 letter to Council regarding Affordable Housing by Byron Borton, representing Borton Fruit (see Attachment A).

1. The Council requested clarification on a statement in the letter that noted:

"66% of the Units at the Lodges qualify as Affordable Housing per the Federal Fannie Mae Guidelines. The units are priced below market rents, as my Strategy is to offer Quality, as affordable as possible. Market rents would be \$100 - \$200 more monthly per dwelling unit."

When asked to clarify if any subsidies or Federal programs were used in the construction of the Lodges Borton stated in an email that:

Nothing I have built is subsidized by the government or Fannie Mae in any way. I simply choose to price new Units at a cheaper Rent than Any competitor that I am aware of. That said, as building costs escalate, so too will my rental rates. I have no subsidies for my projects.

There is no Silver bullet, but helping amortize the utilities capex costs and road improvements is a big help when/where the city is able. Yakima is quite good in that regard.



March 8th, 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 & 64th)*

-The Housing Crisis and lack of available units in 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 Renal 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 at 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



OFFICE OF THE CITY COU Attachment B
129 North Second Street
City Hall, Yakima, Washington 98901
Phone (509) 575-6050 • Fax (509) 576-6335

Patricia Byers, Mayor
Holly Cousens, Assistant Mayor
Kay Funk
Brad Hill
Soneya Lund
Eliana Macias
Jason White

April 6, 2021

Pacific Power
825 NE Multnomah Street
Portland, OR 97232

Pacific Power
500 N. Keys Road
Yakima, WA 98901

Re: Need for more predictable, shorter timelines for development projects

To Whom It May Concern:

The City of Yakima is facing a housing crisis. Rental vacancy levels are less than 1% and developers are building units to get them on the market quickly. From single family homes to multi-family apartment complexes, all types, styles and sizes of housing is needed to address this crisis. The City Council has been engaging with the Central Washington Home Builders Association and local developers of housing to address the crisis and discuss affordable housing opportunities.

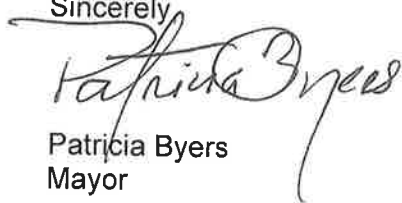
The main issue of concern involves the Pacific Power engineering and design team. They currently are unable to take projects and get developers an engineered design so that the developers can get to work on their projects. Developers have reported to the City that Pacific Power does not have enough engineers on staff to handle the amount of work being sent for design. Engineering plans that should take 90 days to get back to developers are taking almost 12 months. That significant delay is restricting housing units from going online in Yakima, where they are desperately needed. Further, since all other utilities follow after the Pacific Power designs are completed, the failure to provide designs back to developers in a timely manner by Pacific Power is causing substantial delays in construction.

Yakima has a high demand for housing units and developers are ready, willing, and able to construct these units in Yakima as quickly as possible. There are several developments in the construction stage, and additional projects being developed for housing units in Yakima. These housing units are desperately needed. Unfortunately, the delays caused by Pacific Power are hindering the development and on-site work from being completed.

What is needed from Pacific Power is predictable response times that will expedite housing unit development. Developers and contractors are depending on you to do your work so that projects can move forward. The City is depending on you to do your work so that housing units can go online and people can find the housing they want and need in Yakima.

We encourage your pro-active resolution to many of these issues. Our residents can no longer abide the delays.

Sincerely

A handwritten signature in cursive script that reads "Patricia Byers". The signature is written in black ink and is positioned to the right of the word "Sincerely".

Patricia Byers
Mayor

cc. Senator Curtis King
Senator Jim Honeyford
Rep. Gina Mosbrucker
Rep. Chris Corry
Rep. Bruce Chandler
Rep. Jeremie Dufault
Robert Harrison, City Manager

Attachment C



RECEIVED
CITY OF YAKIMA
APR 23 2021
OFFICE OF CITY COUNCIL
500 North Keys Road
Yakima, Washington 98901

RECEIVED
OCT 19 2021
CITY OF YAKIMA
COMMUNITY DEVELOPMENT

April 19, 2021

Mayor Patricia Byers
129 North Second Street
Yakima, WA 98901

Dear Mayor Byers,

Thank you for your letter of April 6 which touches on an issue that is vital to Yakima: providing housing for our growing community, especially affordable housing. Pacific Power shares in the City's goal of increasing the availability of housing in Yakima. As national trends indicate, housing shortages are a critical issue across the country as they are in Yakima and Pacific Power remains a committed partner as we work with the City, developers, and other stakeholders to plan for the infrastructure necessary to support the development of new housing.

Your letter describes delays in receipt of engineering designs from Pacific Power as a contributing factor to delays in housing construction. We acknowledge that our local office has had a backlog in processing new connection work. We take the issue seriously and are taking aggressive steps to reduce the backlogged work.

To improve the processing time for new connections, Pacific Power has reallocated internal resources to focus on processing new connection requests in Yakima. We have also hired a third-party contractor to provide immediate support in processing the backlog. The third-party contractor is able to provide turnkey assistance with estimating.

These steps will improve our ability to provide housing developers the information they need to move projects forward and we will share a project timeline once that information is available.

We are confident these additional resources will improve our response time moving forward. Long term, we are developing opportunities to improve our hiring and labor pool and would appreciate any ideas or support from the community. Hiring and training locally is a great way to build and keep the specialized workforce we need.

Assuring safe and reliable power delivery is our top priority and we strive to meet that every day.
We look forward to working with the City to resolve this matter.

Sincerely,



Toni Petty
Regional Business Manager
Pacific Power
c: 509-379-5551
e: Toni.Petty@pacificorp.com

cc: Senator Curtis King
Senator Jim Honeyford
Rep. Gina Mosbrucker
Rep. Chris Corry
Rep. Bruce Chandler
Rep. Jeremie Dufault
Robert Harrison, City Manager