

HOUSING ACTION PLAN



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Prepared for
CITY OF SPOKANE VALLEY

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ACKNOWLEDGMENTS

Maul Foster & Alongi, Inc., in collaboration with ECONorthwest, prepared this report for City of Spokane Valley. We are grateful to the numerous staff, elected officials, and community members who participated in this process and provided feedback to shape the plan.

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- Councilmember Brandi Peetz – (position 2) - Deputy Mayor
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1 PURPOSE

1.1 Overview

The City of Spokane Valley's (City) Housing Action Plan (HAP) defines strategies and implementing actions that promote greater housing diversity, affordability, and access to opportunity for residents of all income levels. This HAP is meant to implement a voluntary program of the Growth Management Act and fulfill a State of Washington Department of Commerce grant that Spokane Valley received through House Bill 1923 which aims to:

- Quantify existing and projected housing needs for all income levels with documentation of housing and household characteristics.
- Develop strategies to increase the supply of housing, and the variety of housing types, needed to serve the housing needs identified above.
- Analyze population and employment trends, with documentation of projections.
- Consider strategies to minimize low-income residents' displacement resulting from redevelopment.
- Review and evaluate the current housing element adopted pursuant to RCW 36.70A.070, including an evaluation of success in attaining planned housing types and units, achievement of goals and policies, and implementation of the schedule of programs and actions.
- Provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups.
- Include a schedule of programs and actions to implement the recommendations of this HAP.

The purpose of this HAP is to:

- Provide an overview of the housing landscape and planning environment.
- Help the City plan for additional housing through 2037 by providing key data and analysis on the current housing inventory and future housing need in Spokane Valley.
- Highlight current City development regulations and incentives that are effective.
- Identify strategies that consider emerging development issues to promote housing development that will help meet Spokane Valley's projected housing needs.
- Recommend actions that will encourage more housing development at all income levels to accommodate future and current residents.

To develop this HAP, the City assessed housing needs, reviewed housing policies, and engaged the public. The results have led to three key housing objectives that are addressed in this HAP:

- Preserve affordable housing and prevent or mitigate displacement.
- Increase market-rate and affordable housing supply throughout Spokane Valley, but focus on areas that support multifamily and “missing-middle” housing types.
- Increase housing options and housing choice.

1.2 Organization

This HAP is organized as follows:

- **Supporting Data and Analysis** offers background on the housing needs analysis, policy and regulatory review, and public engagement.
- **Housing Recommendations** offers 13 policy and program recommendations as Spokane Valley works toward increasing housing supply through 2037.
- **Implementation Plan** that provides Spokane Valley with near-term actions for City Councilmembers to consider.
- **Appendices** provide technical appendices that support this HAP, including the full public engagement plan, data, methods for key parts of the analysis, affordable housing information, and the policy review.

2 SUPPORTING DATA AND ANALYSIS

Incorporated in 2003, the City is the second most populated city in Spokane County, behind the City of Spokane. Spokane Valley can be described as an auto-oriented suburban community with commercial areas and improving mass transit service. Spokane Valley's population is currently 97,490 (Washington Office of Financial Management [OFM], 2020) and has increased by 25,246 people since 2003, translating to a 17.5 percent increase, which equates to an average of approximately one percent of growth per year. Spokane Valley is projected to add 14,103 more residents between 2018 and 2037 (OFM, 2020).

The housing market in Spokane Valley has not kept pace with this increased demand brought on by new residents (ECONorthwest, 2020). This underproduction is one important factor in rising rents and home prices. To accommodate new residents, developers in Spokane Valley will need to produce housing at a modestly faster rate than has been done over the past ten years. The new unit production will also have to accommodate households across the income spectrum.

The confluence of population growth with a need for more housing spurs many questions: What income and demographic characteristics will future households have? Where will households live and in what housing types? The answers to these questions and the ability of future households to meet their housing needs depend on decisions and policy choices that the City makes today.

In response to the housing challenges facing many of its residents, the City has worked locally and regionally to analyze data on the housing needs of current and future residents and to develop strategies that can support housing at a variety of price points to meet these needs. Housing markets function at a regional scale so it can be challenging for individual jurisdictions to adequately address this issue on its own. Partnerships and coordination throughout the broader county/region will be needed to successfully implement this HAP.

2.1 Summary of Housing Needs Assessment

The housing needs assessment fact packet (Appendix A) synthesizes background information on the current housing inventory, demographics, and employment trends in Spokane Valley. This assessment helps inform the development of potential strategies. In particular, the housing needs assessment focuses on housing affordability issues and identifies the types of housing that the City should plan for in the future. The data source for the following summary is predominantly 2018 and 2019 data from the OFM, with additional data from the U.S. Census Bureau's Public Use Micro Sample (PUMS) and American Community Survey (ACS). The methods and sources used to develop the housing needs assessment fact packet and the information below are found in Appendix B.

2.1.1 Spokane Valley Employment Trends

EMPLOYMENT IN SPOKANE VALLEY CONTINUES TO GROW.

The City's total employment grew from 46,205 jobs in 2010 to 51,305 jobs in 2017, an increase of 5,100 jobs (11 percent change). The top three largest industry sectors, in terms of total employment, were: (1) Retail Trade, with 10,032 employees; (2) Manufacturing, with 6,686 employees; and (3) Health Care and Social Services, with 6,273 employees. Combined, these industry sectors represent 45 percent of Spokane Valley's total employment base.

The sectors with the greatest employment growth from 2010 to 2017 were: (1) Educational Services, with 1,978 new jobs or a 120 percent increase; (2) Construction, with 978 new jobs or a 45 percent increase, and (3) Wholesale Trade, with 684 new jobs or a 23 percent increase. Combined, these three industries represent a gain of around 3,640 employees.

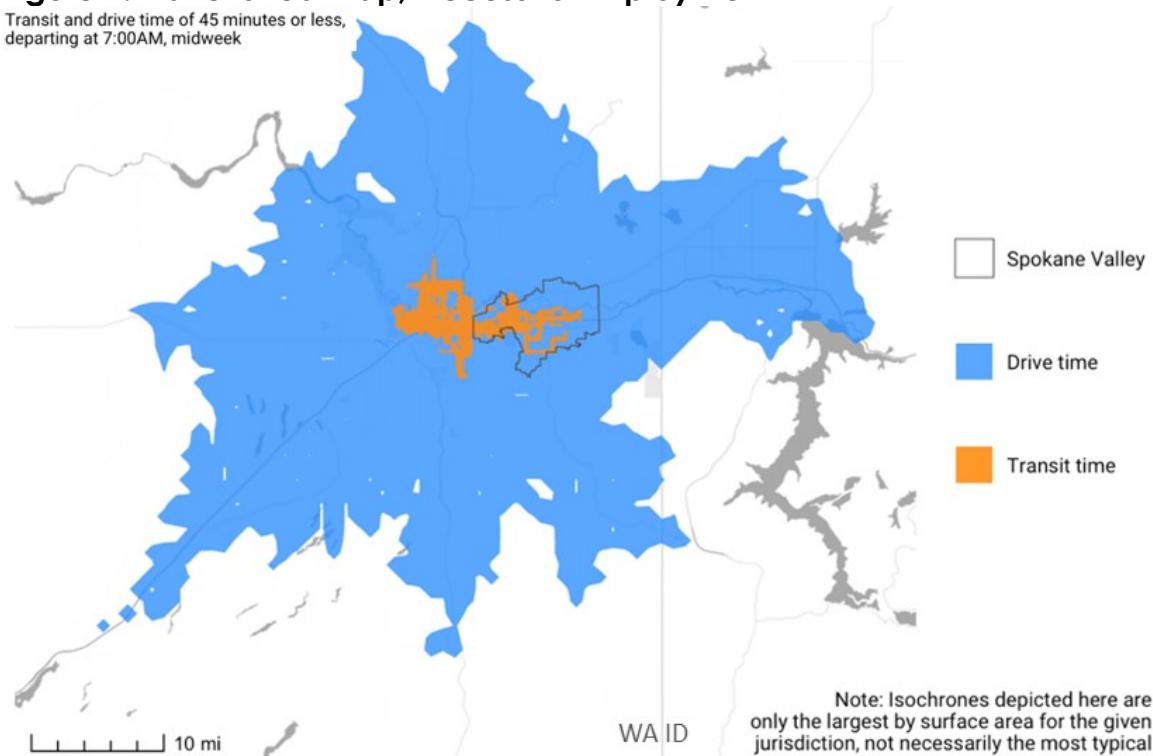
Median salaries in 2018 also varied by industry. At opposite ends of the wage spectrum are the Accommodations and Food Services industry (average wage: \$28,307 per year) and the Utilities sector (average wage: \$69,936 per year). The Manufacturing sector, which makes up 13 percent of the workforce, averages an annual wage of \$46,683 per year¹.

Figure 1 presents a travel shed map showing access to employment within a 45-minute drive and 45-minute transit trip. There are 260,178 jobs in the 45-minute drive shed from Spokane Valley and 63,115 jobs in the 45-minute transit shed. This indicates that a large majority of jobs are more accessible by driving an automobile rather than taking public transit.

¹ These are approximate estimates based on analysis of the following data sources: US Census LODES database, 2017 and census block geometries, 2010; ECONorthwest.

Figure 1. Travel Shed Map, Access to Employment

Transit and drive time of 45 minutes or less,
departing at 7:00AM, midweek



Sources: US Census LODES database, 2017 and census block geometries, 2010; and Spokane Transit Authority database. ECONorthwest Calculations

2.1.2 Who lives in Spokane Valley?

SPOKANE VALLEY IS GAINING NEW RESIDENTS.

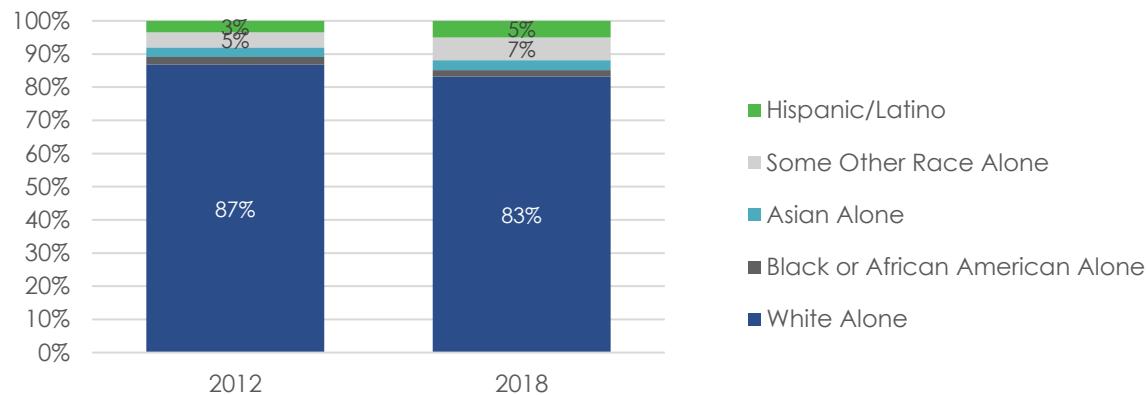
Between 2010 and 2020, Spokane Valley's population grew 8.6 percent, from 89,755 people to 97,490, a gain of 7,735 new residents. For comparison, the City of Spokane grew by 7 percent or by 14,684 people during the same period. These two cities combined account for 43.6 percent of Spokane County's population growth of 51,379 people during this time (OFM, 2020). The housing needs assessment showed Spokane Valley's population between 2010 and 2018 grew by 6,055 people (OFM, 2020).

Housing needs vary for different age groups and change over a person's lifetime. Consequently, it is important to track shifts among the share of different age groups to better comprehend how housing needs change as community demographics fluctuate. Between 2012 and 2018 Spokane Valley's millennial population (25-34 years) almost doubled, growing substantially from 10 percent to 15 percent of the population total from 12,148 to 21,144 persons (U.S. Census ACS PUMS, 2012, 2018). Another growing sector is the senior population which includes persons over 65 years old. During 2012-2018, seniors grew from 13 percent to 15 percent of the total population settling at an estimated total of 20,910 persons, a total similar to the millennial population sector.

SPOKANE VALLEY IS BECOMING SLIGHTLY MORE DIVERSE.

Spokane Valley's population has become slightly more diverse, as illustrated in Figure 2. While all race and ethnicity categories increased in total share of population, the share of residents who are Black, indigenous, and persons of color increased more than white households in this period; most Spokane Valley residents (83 percent) identify as white non-Hispanic.²

Figure 2: Population by Race and Ethnicity, Spokane Valley



Source: U.S. Census Bureau. (2012, 2018). ACS PUMS 1-Year Data

Understanding Area Median Income

The U.S. Department of Housing and Urban Development (HUD) calculates affordability and income limits for metro areas and counties across the country, based on the area's Median Family Income (MFI), which is derived from Census data. Since housing needs vary by family size and costs vary by region, HUD also produces Area Median Income (AMI) benchmarks for different family sizes on an annual basis. These benchmarks are used for understanding what different households can afford to pay for housing. In 2018, the Spokane, WA, HUD Metro Area, which includes the City, AMI was \$65,200 for a family of four. HUD adjusts the income limits up or down, based on family size (see Figure 3).

Figure 3. HUD 2018 Income Limits for Spokane, WA, HUD Metro Fair Market Rent Area

Affordability Level	Family Size (Number of People)							
	1	2	3	4	5	6	7	8
30%	\$13,700	\$15,650	\$17,600	\$19,550	\$21,150	\$22,700	\$24,250	\$25,850
50%	\$22,850	\$26,100	\$29,350	\$32,600	\$35,250	\$37,850	\$40,450	\$43,050
60%	\$27,420	\$31,320	\$35,220	\$39,120	\$42,300	\$45,420	\$48,540	\$51,660
80%	\$36,550	\$41,750	\$46,950	\$52,150	\$56,350	\$60,500	\$64,700	\$68,850
100%	\$45,700	\$52,200	\$58,700	\$65,200	\$70,500	\$75,700	\$80,900	\$86,100

Source: <https://www.spokanecounty.org/DocumentCenter/View/26421/HUD-2019-MEDIAN-FAMILY-INCOME-LIMITS-effective-6-28-2019>.

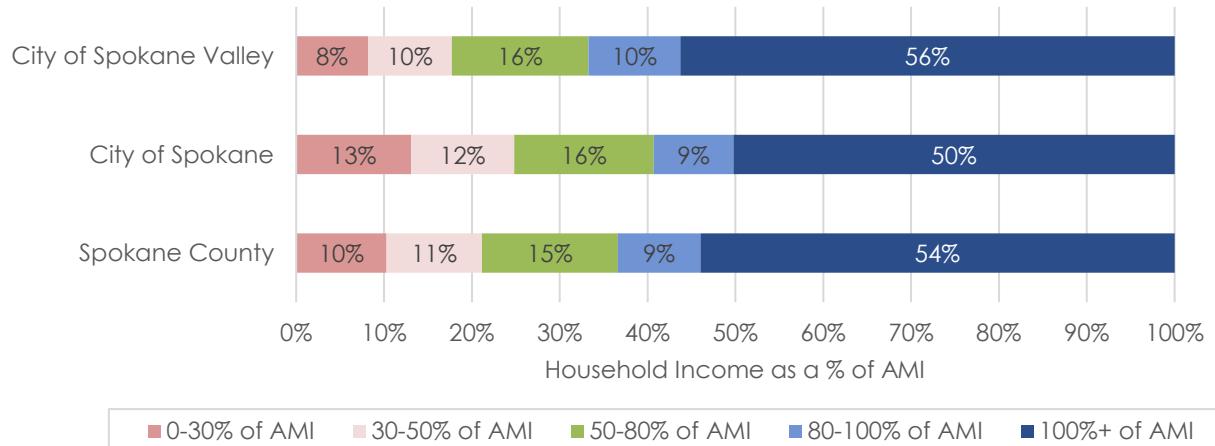
INCOME COMPARISONS IN SPOKANE COUNTY.

Most households in Spokane Valley, 66 percent, earn more than 80 percent of AMI and 34 percent of households earn less than 80 percent of AMI (ACS, 2018). Compared the City of Spokane and to

² The U.S. Census Bureau considers race and ethnicity as two distinct concepts. The Census applies two categories for ethnicity: Hispanic or Latino and Not Hispanic or Latino. Hispanic/Latino is an ethnicity and not a race, meaning that individuals who identify as Hispanic/Latino may be of any race. The share of the population that identifies as Hispanic/Latino should not be added to percentages for racial categories.

Spokane County as a whole³, Spokane Valley has the smallest share of households earning below 30 percent of AMI (eight percent) and the highest share of households earning above 100 percent AMI (56 percent). The shares of households in the 30 to 100 percent AMI range is similar across the three jurisdictions (ACS, 2018). Figure 4 summarizes this narrative.

Figure 4: Income Distribution Comparison, 2018



Source: U.S. Census Bureau (2018). ACS PUMS 1-Year Data.

Describing AMI Affordability Levels

Affordability levels categorized by income ranges. Figure 5 describes these income ranges by the 2018 Spokane County AMI rate and corresponding income limits for a family of four.

Figure 5: Characterization of Affordability Levels

Income Description	AMI Range	Income Range*	Monthly Housing Payment Range**
Extremely low-income	Below 30%	under \$19,550	\$489 or less
Very low-income	30 to 50%	\$19,550- \$32,600	\$489 to \$815
Low-income	50 to 60%	\$32,600- \$39,120	\$815 to \$978
Moderate-income	60 to 80%	\$39,120-\$52,260	\$978 to \$1,307
Middle-income	80 to 120%	\$52,260-\$78,240	\$1,307 to \$1,956
High-income	Above 120%	above \$78,240	More than \$1,956

* Based on family of four income (HUD, 2018).

** Assumes that up to 30 percent of income is used for housing.

THE PERCENTAGE OF MIDDLE- AND HIGH-INCOME HOUSEHOLDS IN SPOKANE VALLEY IS INCREASING FOR BOTH OWNERS AND RENTERS.

Comparing the distribution of owner and renter households over time, as shown in Figure 6, reveals two insights that inform this HAP strategies. First, while the shares of households described as middle-

³ The Spokane County data comprises unincorporated Spokane County and all the incorporated jurisdictions including the City of Spokane and the City of Spokane Valley.

income or high-income increased between 2012 and 2018 there is still roughly one third of the households in the City that are described as moderate-income to extremely low-income. Production of missing-middle housing such as tiny homes, accessory dwelling units, cottages, townhomes and apartment buildings should be a focus of the strategies to provide new units to house these families as well as to help preserve existing affordable units. The second observation is that these missing-middle home types should be available for ownership, but the greater need is for rental units.

What is Missing-Middle Housing?

Missing-middle housing types bridge a gap between single family and more intense multifamily housing. They can generally be described as single-family attached housing units with two or more units such as duplexes, triplexes, quad homes, and multiplexes. Missing-middle housing types also includes accessory dwelling units, town homes, backyard homes, and row homes.

In theory, these space efficient housing units can be more affordable than other units because they are smaller and more energy efficient and they use less land resources. Providing middle housing expands opportunities for housing that may be lower cost than single family detached housing. These units can be well-integrated into existing neighborhoods and often can be designed to resemble single-family detached housing. This housing could provide seniors housing options that would allow for "downsizing" and lower-maintenance living and would serve moderate to middle-income households.

Figure 6: Income Distribution in Spokane Valley, 2012–2018



Source: U.S. Census Bureau. (2012, 2018). PUMS.

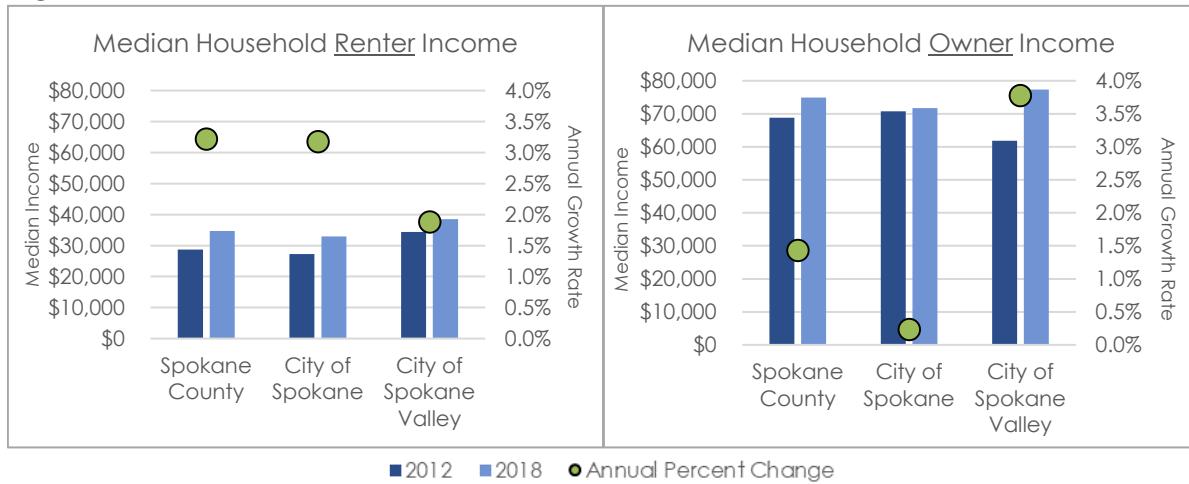
Household incomes have increased overall in Spokane Valley over the last decade. Figure 6 shows that the share of households earning 100 percent of AMI or more (including a portion of the middle-income households and all high-income households) increased between 2012 and 2018 overall for both renters and owners from 46 to 56 percent of the total households. Unsurprisingly, this figure also shows that households described as middle or high income consistently tend to be homeowners. Low to moderate income households (households earning below 80 percent AMI) decreased overall for both owners and renters from 42 to 34 percent of the total.

INCOMES HAVE INCREASED, BUT MORE SO FOR HOMEOWNERS.

Household incomes have increased at a greater rate in Spokane Valley for homeowners than for renters. Figure 7 shows that the median household income for homeowners in Spokane Valley was

\$77,299 in 2018, whereas the median household income for renters was \$38,498. For both household types, this median income is higher than that of households in Spokane County and the City of Spokane. Incomes in Spokane Valley increased at an annual rate of 3.8 percent for homeowners, whereas households that rent saw a 1.9 percent increase per year (PUMS, 2018). For context, median single-family home prices increased at an inflation adjusted annual rate of 5.1 percent between 2012 and 2018 (Spokane County Assessor, 2020) while the average rental price for a two-bedroom unit increased at an inflation adjusted annual rate of 1.5 percent during the same period (CoStar, 2020).

Figure 7: Median Household Income, 2012–2018



Source: U.S. Census Bureau (2012, 2018). PUMS. Numbers were adjusted to 2018 inflation values, using the Consumer Price Index.

2.1.3 What are the current housing conditions in Spokane Valley?

SPOKANE VALLEY'S HOUSING STOCK IS SIMILAR TO OTHER EDGE CITIES.

- Spokane Valley's housing is predominantly single-family detached housing. As of mid-2020, the majority (66 percent) of Spokane Valley's 38,730 housing units (Spokane County Assessor, 2020) are single-family detached. Most Spokane Valley residents living in single-family detached housing own their home (86 percent) rather than rent (ACS 1-Year, 2018). An additional 20 percent of the housing units are apartments and condos and only 9 percent of the housing stock is single-family attached (includes duplexes, triplexes, and quad homes). Data source: Spokane County Assessor, 2020. Spokane Valley lacks housing diversity needed to accommodate future demand particularly associated with aging baby boomers and young households forming. The city has a low supply (9%) of "missing-middle" housing or single-family attached housing which allows more seniors to downsize and remain in their community, while also providing more options for millennial households and working families to get a foothold in great neighborhoods.
- Spokane Valley's housing stock is relatively new, with nearly one-third built before 1969 and over half built after 1980 (Spokane County Assessor, 2020).

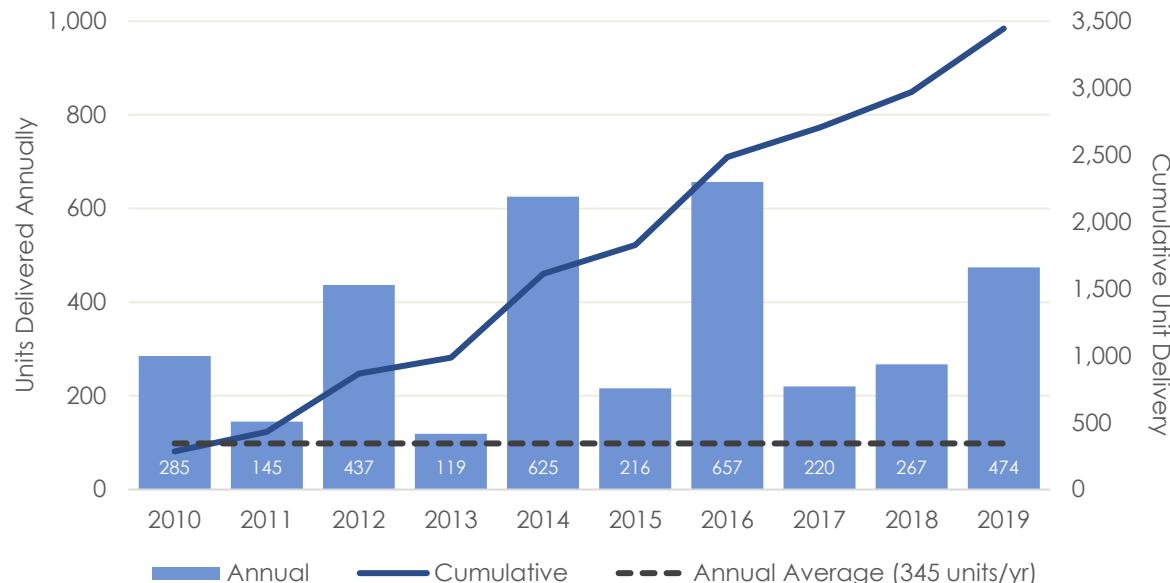
- Spokane Valley has more homeowners than renters. About 67 percent of occupied units are inhabited by homeowners and 33 percent of occupied units are inhabited by renters as of 2018 (ACS, 2018).

SPOKANE VALLEY HAS NOT BEEN PRODUCING ENOUGH HOUSING TO MEET DEMAND.

This continual growth has added pressure on a limited supply of housing. From 2010 to 2019, Spokane Valley saw an average of 345 new housing units built per year, for a total of 3,445 new housing units (Spokane County Assessor, 2020). This unit count includes all units, ownership homes and housing units for rent. Figure 8 illustrates the housing unit development trends in Spokane Valley between 2010 and 2019.

Spokane Valley's population growth and housing development has remained steady for most of the decade. From 2010 to 2018, Spokane Valley's population grew by 7%, adding 6,055 new residents.

Figure 8: Number of Units Built in Spokane Valley Per Year, 2010–2019



Source: Spokane County Assessor, 2020.

Underproduction is the estimated number of housing units needed to satisfy the housing shortfall over the last decade. Over the last decade, Spokane Valley underproduced housing by approximately 1,463 units (ECONorthwest analysis of OFM and PUMS datasets)⁴. If too few housing units are constructed relative to the number of new households formed, underproduction occurs and contributes to price increases. Without including current underproduction in calculations of future need, the current mismatch of housing units to numbers of households will continue into the future.

⁴ Current underproduction of housing was calculated based on the ratio of housing units produced and new households formed over time. The average household size in the City is calculated and converted to a ratio of total housing units to households. This ratio is compared to that of the region as the target ratio. If the City's ratio is lower, then we calculated the underproduction as the number of units it would have needed to produce over time, to reach the target ratio.

A useful way to detect whether the housing supply is meeting the demand is to examine vacancy rates. On average during the last decade, the vacancy rate was 5.4 percent for 2-bedroom apartments in the City. This is a standard rate of vacancy, indicating that the supply for this product type should be adequate to meet demand. However, nearby, the City of Spokane's vacancy rate was an average of 2.7 percent for 2-bedroom apartments over the last decade. This low rate is below the 5.0 percent standard, indicating an inadequate supply to satisfy demand. Vacancy rate trends should be monitored to track housing supply limitations to help build a more comprehensive understanding of emerging housing needs.

SPOKANE VALLEY HOME PRICES AND RENTS ARE HIGHER THAN THOSE IN THE COUNTY AND THE CITY OF SPOKANE.

When demand for new housing exceeds the supply of new housing, the market tightens and prices rise. Supply and demand imbalances and subsequent price increases can also be exacerbated by rapid regional job growth and too few newly created housing units to meet the demand for in-migration from the job growth. There has not been a substantial spike in employment in Spokane County; however, there has been an increase in in-migration with more households moving to the area from high-cost cities in search of a lower cost of living and the improved quality of life offered in Spokane Valley and the Spokane region.

Between 2010 and 2020, Spokane Valley's average two-bedroom rent increased 15 percent, or an average of 1.4 percent annualized, while median sales prices increased 48 percent, or an average of 4.0 percent annualized. In 2020, the average rent for a two-bedroom apartment was \$1,131 per month, while the median sales price for ownership housing was \$300,000.

What might an owner's monthly payment be on a \$300,000 home?

The payment on a \$300,000 home in Spokane Valley would be about \$1,500 per month if financed in 2020. This assumes a 20 percent down payment, a 3.8 percent interest, and \$3,500 in taxes based on actual recent comps.

Figure 9 illustrates this pricing progression. During this period, the average annual rate of inflation was 1.7 percent. The annual rate of change for an average two-bedroom apartment was in-line with inflation; however, home prices increased at a rate over three times inflation. Median household incomes in Spokane Valley increased by 3.8 percent per year for owners and 1.9 percent per year for renters between 2012 and 2018 (ACS, 2018).

Figure 9: Spokane Valley Housing Costs, 2010 and 2020

	2010	2020	Annualized Percent Change
Average Rent	\$983	\$1,131	1.4%
Median Sales Price	\$202,461	\$300,000	4.0%

Source: CoStar, Spokane County Assessor, 2020. Numbers were adjusted to 2020 inflation values, using the Consumer Price Index

By comparison, two-bedroom rent increased by 13 percent and 11 percent in Spokane County and in the City of Spokane, respectively, between 2010 and 2020. The current average two-bedroom rent in Spokane County is \$1,094 per month and \$1,081 in the City of Spokane. The 2020 median home prices in Spokane County were \$255,900 and \$275,000 in the City of Spokane (CoStar, Spokane

County Assessor, 2020). The escalating cost of housing, especially for those wanting to buy a home, is a top concern for people finding very few options of housing affordable at their income level.

NEARLY HALF OF SPOKANE VALLEY'S RENTER HOUSEHOLDS ARE COST BURDENED AND THIS COST BURDENING DISPROPORTIONATELY IMPACTS LOWER INCOME HOUSEHOLDS.

A typical standard used to determine housing affordability is that a household should pay no more than a certain percentage of gross household income for housing, including payments and interest or rent, utilities, and insurance. HUD's guidelines indicate that households paying more than 30 percent of their income on housing and utilities experience "cost burden," and households paying more than 50 percent of their income on housing and utilities experience "severe cost burden."

Without enough rent-restricted and regulated affordable housing, many low-income households end up paying more than they can afford on housing. In Spokane Valley, an estimated 48 percent of renter households are cost burdened, and 25 percent are severely cost burdened (ACS, 2018).

Recent figures (2018) show that lower income households and renters are paying a much greater share of their income on housing. In fact, those most cost burdened tend to be extremely low-income and very low-income (earning less than Households earning 50 percent or less of AMI) are disproportionately impacted. Nearly 6,500 Spokane Valley households earning 50 percent or less than AMI out of the 7,600 total households in this group are cost burdened, while approximately 4,350 households in this income group are severely burdened (ACS, 2018). The need for more affordable housing has expanded particularly for low to moderate-income owner households and low-to moderate-income renter households (less than 80% AMI). Low-income renters earning less than 50% AMI tend to be more severely cost burdened. This may mean trade-offs must be made between housing and paying for other essentials, such as food, clothing, and healthcare⁵.

THERE IS A LIMITED SUPPLY OF RENT-RESTRICTED AFFORDABLE HOUSING AND LOW-COST MARKET RENTALS.

Spokane Valley has approximately 1,663 units of rent-restricted affordable housing⁶ for households earning less than 60 percent of AMI (ECONorthwest analysis of HUD, Spokane Housing Authority, and Washington State Housing Finance Commission data, 2020)⁷.

A Note on COVID-19

Another factor affecting housing is the COVID-19 pandemic. Since its emergence, the pandemic has slowed the production of housing in many regions and due to growing remote work practices, commuting rates have diminished and housing preferences are shifting. In addition, the pandemic has impacted the ability to pay for housing consistently, which will likely exacerbate housing availability and stability. These types of trends should be monitored as conditions and communities adjust.

⁵ Cost burdening for owner-occupied households is not terribly common because mortgage lenders typically ensure that a household can pay its debt obligations before signing off on a loan, but it can occur when a household sees its income decline while still paying a mortgage. Households with incomes over 100% AMI are less burdened overall since their larger income will go farther to cover non-housing expenses. Cost burden does not consider accumulated wealth and assets.

⁶ Rent-restricted affordable housing is income- or rent-restricted to ensure that the housing is occupied by households earning a certain income. Rents for such units are set so as to be affordable to those income levels. Rent restrictions are set according to the types of funding used to develop the housing, such as the Low-Income Housing Tax Credit, or HUD funding. The City does not regulate or influence the rates for these units. Most rent-restricted affordable housing is restricted to be affordable to households earning under 60 percent MFI, but these restrictions vary.

⁷ The data available for this section describes housing affordable to 60 percent of AMI or lower and in other sections housing affordability is described in different AMI categories. This is due to differences between various data sources. Household affordability information provided in US Census ACS

The map in Figure 10 shows where in Spokane Valley these units are located. Given the limited supply of these units, Spokane Valley's population at this income level must compete for lower-cost / lower-amenity unregulated market rate housing.

Like many places, Spokane Valley does not have enough rent-restricted affordable housing units, which are costly to build and operate. As a result, many low-income households live in low-cost market (unregulated) housing units (often called naturally occurring affordable housing, or NOAHs). There is no official definition of low-cost market rentals or NOAH units. They can be defined by condition/age/and amenity level, or by rent price (typically below 80 percent of AMI). The common factor is that they are affordable to low-income households, but their rents are unregulated by a funding or financing program.

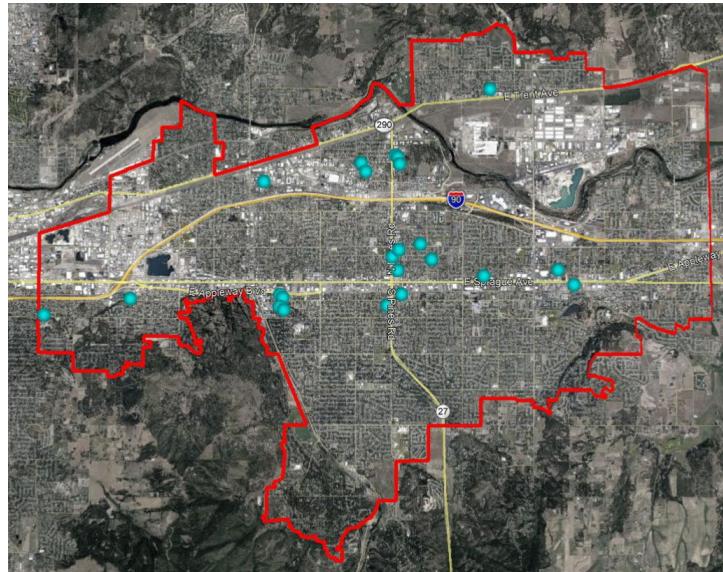
2.1.4 Future Housing Needs

TO ACCOMMODATE NEW RESIDENTS, DEVELOPERS IN SPOKANE VALLEY WILL NEED TO PRODUCE HOUSING AT A SLIGHTLY FASTER RATE THAN THEY HAVE IN THE PAST.

The OFM medium population forecast indicates that by 2037, Spokane Valley's population will have risen to 109,913. Based on Spokane Valley's population estimate for 2018 (95,810 people), Spokane Valley is forecast to grow by 14,103 people by 2037 (14.7 percent), at an annual growth rate of 0.7 percent (ECONorthwest calculation; OFM, 2019 data). Spokane Valley is forecasted to grow at a rate similar to past rates, and this growth will continue to drive future demand for housing in the city over the planning period.

To accommodate expected population growth through 2037 Spokane Valley will have to produce 6,660 new housing units of all types, sizes, and affordability levels (ECONorthwest analysis). This translates to 351 housing units per year. Between 2010 and 2019, an average of 345 new housing units were built in Spokane Valley each year. This means that slightly more housing would need to be built per year than the average produced from 2010 and 2019. Spokane Valley should continue to support robust housing growth and advance strategies that support a diversity of housing types and affordability levels.

Figure 10: Rent-Restricted Unit Location Map, Spokane Valley



Source: ECONorthwest analysis of HUD, Spokane Housing Authority, and Washington State Housing Finance Commission data, 2020.

and PUMs analysis is not available at the 60 percent level while HUD helps to fund affordable housing developments that provide units to households earning less than 60 percent of AMI.

If units are allocated based on recent income distribution trends, over half of Spokane Valley's needed housing units (3,760 units) should be for households earning at least 100 percent of AMI, and another 10 percent (686 units) targeted for households at above 80 percent AMI. The remaining 33 percent, or 2,214 housing units, needed through 2037 should be targeted for households earning less than 80 percent of AMI. Figure 11 provides the complete distribution of housing units needed among the five AMI ranges. Overall, a healthy housing market should have a variety of housing types at different price points that are affordable to a range of different household incomes.

To meet future housing needs the preservation of NOAH units that may be displaced because of new development is important for helping to house very low- to moderate-income households. Strategies in this HAP also need to support the creation of rent restricted affordable housing units for extremely low- and very low-income households through public agency support and assistance programs since this type of housing is becoming increasingly difficult through the private market.

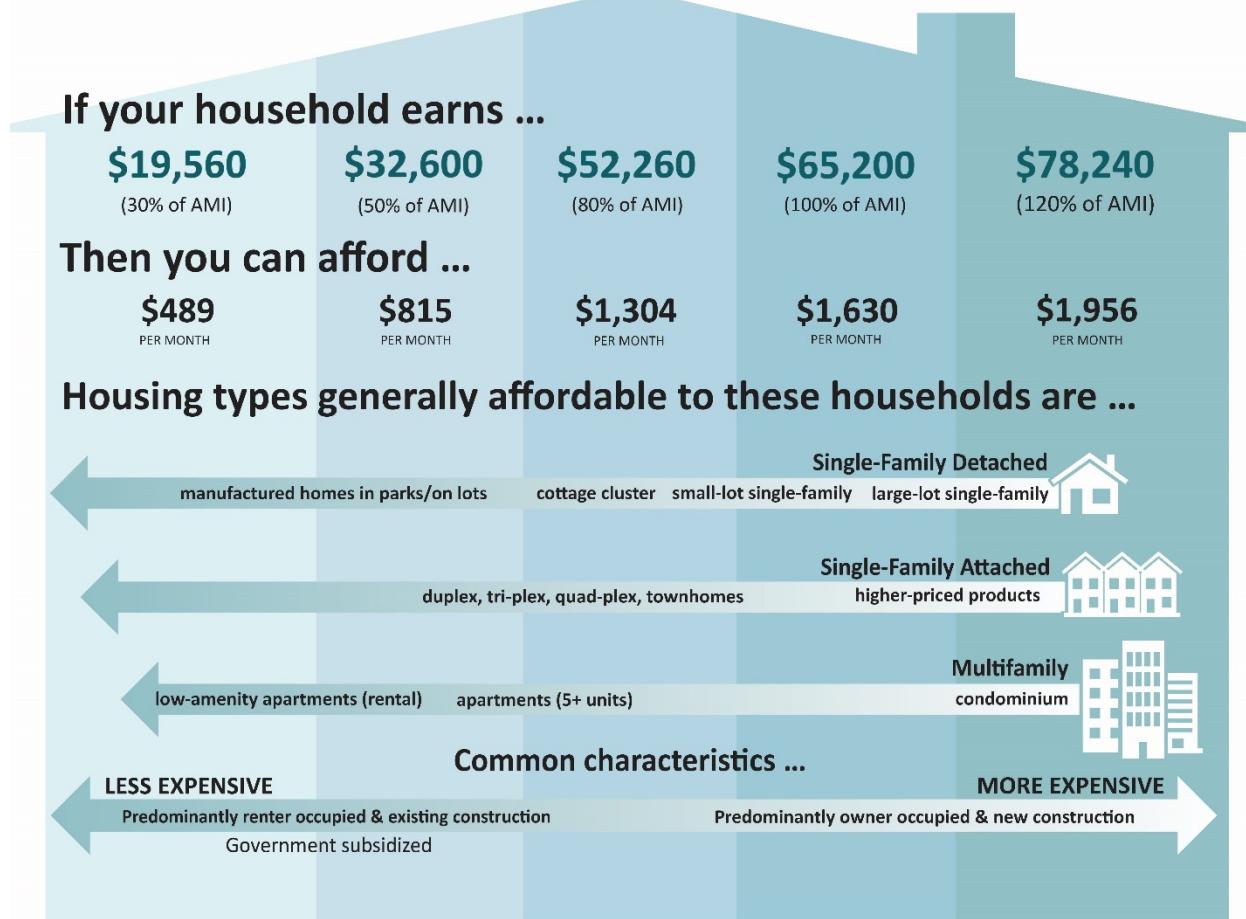
Figure 11. Housing Units Needed in Spokane Valley by AMI, 2037

AMI	Number of Units Need through 2037	Percent of Total Units Needed
0-30%	550	8%
30-50%	625	9%
50-80%	1,039	16%
80-100%	686	10%
100%+	3,760	56%
Total	6,660	100%

Sources: ECONorthwest calculation; OFM, 2019; U.S. Census Bureau, 2018 PUMS.

The housing needs analysis shows a mismatch in the type of housing units available. Around 44 percent of all the City households need housing priced below 100 percent of the AMI, yet this housing is inadequate since only 34 percent of the current housing stock includes housing types affordable for incomes below the AMI, such as less expensive detached single-family homes (ADUs, manufactured homes, cottage), attached single-family homes (duplexes and townhomes and multifamily developments). Figure 12 illustrates the type of home a household may afford based on its income. The information in Figure 12, together with Figure 11 above inform the strategies recommended in this HAP.

Figure 12: Housing Types and Financial Attainability



Source: ECONorthwest. Note: All values are in 2019 inflation-adjusted dollars.

2.2 Summary of Policy and Regulatory Assessment

A policy and regulatory assessment identified existing housing goals, policies, and strategies from the 2017 Spokane Valley Comprehensive Plan as well as housing regulations, programs, and incentives currently available to encourage greater housing supply and the development of affordable housing in Spokane Valley. The information was used alongside the housing needs assessment and input from community members and stakeholders to develop strategy and policy options that could be used to meet housing needs within Spokane Valley.

2.2.1 Policy Review

In its Comprehensive Plan, Spokane Valley identified three goals and four priorities specifically related to housing. Other elements of the Comprehensive Plan, particularly the Land Use element, include several other goals and policies related to housing. The summary of housing-related policies and strategies is organized around four housing themes identified in the Comprehensive Plan:

Ensure a Range of Housing Options for Residents: During the development of the Comprehensive Plan, community members identified a need for a greater diversity of housing types to serve people at all income levels and stages of life. A goal that exemplifies this theme is “allow for a broad range of housing opportunities to meet the needs of the community.”

- **Key Action taken:** In 2017, Spokane Valley implemented new regulations that allows missing-middle housing types such as accessory dwelling unit (ADUs); cottage housing; duplexes; manufactured homes, both on individual lots and in-home parks; and townhouses. In 2020 the City modified the Spokane Valley Municipal Code (SVMC) to establish a new zoning district, R-4 Single-Family Residential Urban that allows the full range of missing-middle housing products and focused where in the City townhomes and cottages maybe developed.

Improve Housing Affordability: The current Comprehensive Plan includes a goal to allow for a diversity of housing options that are affordable to households at all income levels. One such goal is to “enable the development of affordable housing for all income levels.”

- **Key Action taken:** In 2020, Spokane Valley adopted a new ordinance to authorize a sales and use tax credit for affordable and supportive housing, which is expected to generate approximately \$178,000 per year. Spokane Valley has not yet designated a specific use for such revenues.

Enhance Distinctive Neighborhood Character/Support Neighborhood Commercial: Several goals and policies in the Comprehensive Plan encourage neighborhood conveniences and mixed-use residential development. An example is Housing Element-Goal 3, “Allow convenient access to daily goods and services in Spokane Valley’s neighborhoods.”

- **Key Action taken:** Spokane Valley modified its zoning regulations in 2020 to create a new Single-Family Residential Urban (R-4) zoning district that permits more diverse housing development within close proximity to public transportation and services.

Encourage the Creation of Mixed-Use Destinations: The Comprehensive Plan cites the Kendall Yards area of Spokane as an example of a mixed-use destination development that combines housing, retail, and amenities in a walkable community connected to transit. Land Use Element Goal 3 calls for Spokane Valley to “support the transformation of commercial, industrial, and mixed-use areas into accessible districts that attract economic activity.”

- **Key Action taken:** Spokane Valley’s mixed-use zones (MU and Corridor Mixed-Use [CMU]) allow for concurrent development of residential and commercial space. These uses may be developed side by side or on top of each other, with the commercial space on the ground floor.

A detailed review of the existing policies, actions taken by Spokane Valley to date, and an evaluation of these actions is available in Appendix C.

2.2.2 Regulatory Review

A detailed review of Spokane Valley's existing zoning and permit procedures helped to identify where housing development is currently allowed and how it is permitted. Spokane Valley has five residential zones (R-1, R-2, R-3, R-4, and MFR) that are specifically intended to support residential development; however, certain residential development is also permitted in mixed use zones and nonresidential zones. The residential zoning districts range from Single-Family Residential Estate (R-1), the least dense zone, which allows for lots of at least 40,000 square feet and one dwelling unit per acre (du/ac); to Multifamily Residential (MFR), which has no minimum lot size and allows up to 22 du/ac. No density bonuses are currently allowed, except in Planned Residential Developments. The City has placed a moratorium on new Planned Residential Developments and related regulations are currently under review.

Appendix C includes a detailed review of dimensional requirements and parking standards for each zoning district. Spokane Valley has three main permit application types, which correspond to increasing levels of review procedures. For example, Type I permits generally have limited public notice and are administratively approved, while Type III permits require extensive public notice and are subject to a public hearing and approval by a neutral Hearing Examiner. Most residential development types fall under Type I or II application review, with the exception of cottage housing, industrial ADU development, and subdivisions, which require the more intensive Type III review. In addition, Spokane Valley has adopted the maximum State Environmental Policy Act (SEPA) flexible exemption thresholds so that multifamily developments of 60 units or fewer are not required to go through SEPA review.

2.2.3 Barriers

BARRIERS TO DEVELOPMENT OF EXISTING HOUSING TYPES

The housing development process is defined in the SVMC and in practice by Spokane Valley staff. There is sufficient development capacity on land in Spokane Valley to support a range of new housing, and the zoning regulations provide flexibility for developers to deliver housing at a pace to meet the identified housing needs assessment objective of at least 6,600 housing units by 2037, or around 351 units per year.

Spokane Valley is primarily a large-lot, single-family community. While residents have voiced appreciation for those characteristics, a survey conducted for this project identified a desire for more housing choices, including townhomes, ADUs, and cottages. Spokane Valley should continue to support housing growth and advance strategies in support of housing growth for a diversity of housing types and affordability levels to meet its target.

The community was asked...

How can the City of Spokane Valley improve housing for our community?

"More cottages and duplexes"

"More housing options such as condos and townhouses."

"More auxiliary housing, cottages on homeowner lots."

"By not regulating so tightly the ability to put ADUs on properties."

"Allow homeowners to build ADUs, cottages and co-housing."

Several barriers impact the delivery of housing in general and specific types of housing such as the allowed maximum density in specific zones, open space requirements, and allowed building height for multi-family development are areas where the City may improve the quantity, quality, and range of new housing development. Other barriers identified are beyond Spokane Valley's control, such as the market's acceptance of different housing types or appeals of project from residents.

AFFORDABLE HOUSING FUNDING AND INCENTIVES

While its zoning regulations allow flexibility in the housing types permitted, Spokane Valley currently has limited incentives to support the development of a range of housing types that are attainable for a broad variety of household incomes. The policy and regulatory review found that Spokane Valley should explore additional funding mechanisms and incentives to encourage affordable housing development. Recommended strategies are discussed in Section 3 of this HAP.

2.3 Summary of Public Engagement

MFA led a robust public engagement process to gather community input to inform the HAP. The purpose of the community engagement is to connect with and listen to residents, workers, businesses, nonprofit organizations, service providers, and other key stakeholders. The community's participation in this process includes qualitative, anecdotal input as well as quantitative input via a survey to develop and support the recommendations offered in the HAP. Below is a summary of the survey results and the interviews. In addition to public engagement efforts taken during the development of the HAP, additional public engagement will occur as part of the adoption process.

2.3.1 Community Engagement Approach

The outreach process was predicated on the need to conduct engagement reflecting the Spokane Valley community and to help illuminate the City's housing opportunities and challenges. Community input helped shape the direction of the HAP's strategies and recommendations. Draft strategies and recommendations were then reviewed by staff, and the final HAP, once prepared, will be distributed to the public for further comment prior to adoption.

A list of the outreach tactics used in development of the HAP is summarized in Figure 13. Conducting community outreach amidst the COVID-19 pandemic presented unique challenges. All community outreach that has been conducted to inform the HAP was held by video or phone calls with people who had access to technology and via a public survey. Because of the challenge of scheduling and organizing effective focus groups, we concentrated our outreach efforts on a set of one-on-one interviews with a diverse group of community stakeholders and developers.

Figure 13: List of Outreach Tactics

Month	Outreach Tactics
Summer 2020	<ul style="list-style-type: none">Community engagement planProject web page, materials, and "on-hold" message for the City of Spokane Valley general phone lineStakeholder interviewsCommunity and partner update describing the HAP purpose, need, and process

Month	Outreach Tactics
Fall 2020	<ul style="list-style-type: none"> Community survey #1 about the current state of housing and housing needs (Survey was live 9/21–10/19) Website updates regarding project status
Winter 2020–21	<ul style="list-style-type: none"> City magazine article about the HAP (quarterly magazine mailed to over 50,000 residents in November 2020) Website updates regarding project status Community and partner update on project status

Appendix D contains the complete summary of the community engagement process, including goals, approach, and methodology for identified stakeholder input.

2.3.2 Public Engagement Results

ONLINE SURVEY

In September and October 2020, an online public survey was conducted. A total of 124 respondents completed the survey. The Spokane Valley community was well represented, and demographics of those that took the survey aligned closely to the makeup of the City. Key findings from the survey are summarized below. Appendix D contains additional information on the survey.

Owners and renters in Spokane Valley: The survey asked whether the respondents owned or rented their homes. All respondents answered this question and 75 percent were owners—56 percent owned with a mortgage and 19 percent owned free and clear. Renters accounted for 23 percent of the responses. The other three respondents either occupied their unit without payment of rent or they did not have stable housing.

Barriers to renting in Spokane Valley: Only 25 of the 124 respondents (20 percent) identified as renters. This question allowed respondents to select more than one choice. The 25 respondents provided a total of 31 responses. Of these 31 responses, 77 percent said finding affordable housing in the city was a barrier to renting. Challenges included not being able to find affordable housing (61 percent identified this as a barrier), 10 percent identified as a barrier not being able to find housing that accepted housing vouchers, and six percent said past evictions, or no ADA-available units was a barrier. The remaining 23 percent of renters did not experience any barriers to renting.

Barriers to purchasing a home in Spokane Valley: This question asked if respondents had recently tried to buy or bought a home and allowed respondents to select more than one answer. The 102 responses include renters and homeowners. Of this total, 23 percent said affordability was a barrier, and 18 percent could not afford a down payment. Others noted difficulty finding the right type of housing, being outbid, or not finding a place in the location they wanted. Less than half of the respondents did not encounter any barriers (45 percent, or 29 of 64).

Types of housing in Spokane Valley: Of the 124 respondents, 109 indicated the type of housing that they currently live in. Single-family homes accounted for 80 percent of where respondents live, while the next most common housing type was multifamily homes at 13 percent.

Favored housing types for Spokane Valley: Respondents were also asked what type of housing they would like to live in. Of the 124 respondents 107 provided at least one answer. Respondents could select more than one housing type and a total of 159 housing types were selected. Single-family homes were the most desired housing type at 60 percent of responses, though nearly all the respondents (90 percent) included single-family homes as one of their choices. The next most favored were:

- Cottages: 16 percent of the total responses selected this choice.
- Townhomes: Nine percent of the total responses selected this choice.
- Duplex: Seven percent of the total responses selected this choice.

Housing options in the greatest need: Respondents were asked what kind of housing options are in greatest need in Spokane Valley. Of the 124 respondents, 93 provided at least one answer. Respondents could select more than one type of housing and a total of 206 responses were provided.

Of the 93 respondents, 73 percent felt more affordable ownership housing options were in the greatest need. The other two most frequently selected needs were the desire for more affordable housing for seniors, with 48 percent selecting this choice, and the desire for more flexibility for single-family homeowners to build accessory dwelling units, such as backyard cottages, with 44 percent selecting this choice.

The survey also asked respondents to address three open-ended questions. The questions and summary of the responses are below.

Are there any issues or challenges that impact quality of life in your neighborhood? Respondents provided a total of 65 comments. Responses ranged from lack of affordable housing to pesky neighbors. Respondents noted that higher drug, crime, and homelessness areas are often also lower income housing areas. The desire for recreation and parks was mentioned several times.

How can the City of Spokane Valley improve housing for our community? Respondents provided a total of 89 comments. The comments generally noted either the need to encourage the development of more affordable housing and to help promote more housing choices.

What is the primary reason you chose to live in Spokane Valley? Respondents provided a total of 92 comments. Comments indicated that apart from train traffic, Spokane Valley is a quiet community with less vehicle traffic and fewer challenges associated with bigger cities. Good schools and great quality of life were noted many times, as well as ease of access to Interstate 90.

ONE-ON-ONE INTERVIEW SUMMARY

The purpose of the one-on-one interviews was to discern and understand the current and historical housing situation of Spokane Valley through intentional discussion and analysis of the lived and professional experiences from local developers and community leaders. Below is a summary of feedback; Appendix D presents more details and supporting recommendations from stakeholders.

Development Process

Input from the developers interviewed was that development process in Spokane Valley is working efficiently for permitting and constructing new single-family and multifamily housing. Interviewees indicated positive experiences working with building officials and Spokane Valley staff navigating the permit process. The fee schedules are in line with the market. However, those involved with developing affordable housing noted there would be an added benefit to an otherwise challenging development pro forma if the City reduced or waived fees for affordable housing projects.

Competitive and Limited Affordable Housing Funding Sources

With regards to affordable housing, federal, state, and local funds are limited and highly competitive and there is limited funding available for distribution to projects annually. It was noted that there are only two qualified census tracts in the city, 117.02 and 118.00. Affordable housing developments in qualified census tracts that apply for low-income housing tax credit funding receive a boost in the amount of tax credits they can receive. These tax credits are important for making regulated affordable housing projects feasible. Interviewees noted the benefits that a City managed housing fund supported through a property tax levy for affordable housing and/or sales and use tax fund for affordable and supportive housing.

Opportunities to Encourage Housing Development

Several interviewees noted that there is very limited inventory for starter homes and the gap in missing-middle housing in Spokane Valley is real. The following summarizes the range of ideas offered based on the interviewees' professional experience and their conversations with the community:

Low-Income Households

- Rent deposits and documentation requirements can be hurdles for portions of the population. Consider programs or policies that address this hurdle.
- Down payment assistance for first time home buyers – either through a City fund or a community partner.
- Acknowledge equity and race in the City's Comprehensive Plan to position the City to address housing equity.
- Limited equity co-ops are a means to create wealth and home ownership for long-term tenants. Challenges include patient investors and gap financing. The other model often noted is shared equity. These programs do not require City intervention. The city may provide resources and information, and/or provide financial support for limited equity co-ops if it creates a housing fund.

Programs and Incentives

- Provide housing around state and federally supported transportation investments. Planned Action Environmental Impact Statements may provide additional incentives for developing housing in these areas by reducing the project-level permitting process.
- Implement a multifamily tax exemption program.

- Offer nonprofits the first right of refusal to develop affordable housing units on City-owned properties or properties with a property tax lien.
- Brownfields may provide land opportunities not sought by market-rate developers.

Outreach and Partnerships

- A regional communications campaign dispelling housing myths and showing the positive benefits of healthy homes.
- Partner with neighborhood groups or support the creation of one that is focused on Spokane Valley. SNAP (Spokane Neighborhood Action Partners) is a model.
- Seek partnerships with private entities seeking philanthropic endeavors. A local example is a project in northeast Spokane that was built by Spokane Housing Ventures in partnership with Empire Health Foundation. Traditional affordable housing funding sources were used as was support from the foundation.

Threats to Housing Development and Preservation of Affordable Units

Several interviewees mentioned threats to housing development and the need to preserve affordable units. A range of observations and ideas were offered based on the interviewees' professional experience and their many conversations with the community.

- Lumber prices have gone up by more than 120 percent over the past year. There is not anything the City can do about this, but these increased costs directly impact housing prices.
- Labor shortages impact development costs. It was noted that encouraging more trade jobs through apprenticeship programs or partnerships could help grow the workforce that may reduce labor availability and related development cost impacts.
- Rent-restricted developments that need rehabilitation could be an area of focus. The rehabilitation costs require debt, and the financial package may require higher incomes. The unintended consequence is a loss of units that serve the 30 percent or less AMI households.
- One developer shared about a single-family subdivision that was subject to public comment and SEPA review being held up because of protest from nearby residents despite complying with local code.

External Forces Driving Developers from Spokane County

Developers that have been active in Spokane County indicated that they are seeking development opportunities in northern Idaho where the housing market is similar but where there is significantly less state regulation. These observations are for information and context. The City has limited influence to improve these identified conditions.

- Interviewees noted the diminishing availability of large tracks of unimproved land in Washington and the increasing cost of land relative to Idaho as driving forces. There was

also a strong desire to expand the Urban Growth Boundary to provide more land to develop housing.

- Several interviewees cited that the energy code revisions adopted by Washington will add costs to home development. These measures, which take effect in 2021, increase development costs which are passed through to the home buyer.
- Finally, Washington state's condominium laws create a disincentive to develop this type of attainable housing due to insurance requirements. Condominium law reform is needed to encourage development of higher density condominium buildings that may offer affordable home ownership options.

PRE HAP-ADOPTION OUTREACH

Community input was used to shape the direction of the HAP's strategies and recommendations. Draft strategies and recommendations were then reviewed by staff, and the final HAP, once prepared, will be posted on the HAP project web page (www.spokanevalley.org/HAP), distributed to the public for further comment, and refined based on feedback prior to adoption.

2.4 Displacement Risk Analysis

Displacement occurs when a household is forced to relocate because of changes in the housing market, either because their housing is being redeveloped or undergoing major renovations or because their housing costs are increasing to beyond what they can afford. With regional housing prices escalating and new housing development taking place, some existing residents in Spokane Valley may be at risk for displacement. The overarching intent of examining displacement risk is to help Spokane Valley proactively identify residents who may be at risk and help inform strategies for preventing and minimizing displacement.

This analysis of socioeconomic and demographic displacement risk was modeled after the Puget Sound Regional Council's Displacement Risk Mapping Tool and is based off a method developed by ECONorthwest. Six variables that can highlight areas where households are most susceptible to displacement were evaluated at the block group level. The evaluated variables were:

- Percent of population that is a race other than non-Hispanic white
- Percent of households that speak a language other than English at home
- Percent of population under 25 who lack a bachelor's degree
- Percent of households that are renters
- Percent of households paying more than 30 percent of gross income on housing
- Per capita income

These factors include renter households, low-income households, and households that are more likely to experience housing discrimination (including communities of color, seniors, and other marginalized populations).

2.4.1 Types of Displacement

There are typically three types of displacement referred to as economic, direct, and cultural displacement (ECONorthwest research).

Economic or indirect displacement. Economic displacement can occur if new development or redevelopment in an area rents or sells at higher price points that encourage owners of existing units to increase rents, and these increases exceed what existing tenants can afford. The effects of (re)development renting at market rates may spill over to lower-cost rental units, causing rents to rise and potentially displacing existing residents. Economic displacement can happen without new development or redevelopment when high demand and low housing supply push prices up. Economic insecurity and displacement are a very important issue for existing communities, but they are difficult to measure quantitatively.

Low-income households are at high risk of economic displacement, as they have fewer choices about where they can afford to live.

Physical or direct displacement. Physical displacement occurs if existing housing is torn down for redevelopment and existing tenants are displaced. In some cases, public programs could encourage displacement by incenting a developer to rehabilitate or replace older, low-cost housing (unregulated affordable housing) with newer, higher-priced units. This could lead to the direct displacement of existing residents, who may not be able to afford the higher rents in the new development.

In theory, any type of household could be at risk of physical displacement due to a new development demolishing their current housing. But in reality, low-income households, households of color, immigrant households, and other marginalized populations are at higher risk of physical displacement. Wealthy or "powerful" households are at lower risk of direct displacement, as they may not live in areas experiencing new development, and they may hold sway over decision makers or otherwise know how to exert influence in the process.

Cultural displacement. Cultural displacement occurs when people move because their neighbors and culturally relevant businesses and institutions have left the area. The presence (or absence) of these cultural assets can influence racial or ethnic minority households, more than broader populations, in their decisions about where to live. While this is difficult to measure quantitatively, and one could consider whether these are "choices" or whether this is "forced" displacement, it is an important effect that can have broad equity implications beyond physical or economic displacement alone. Cultural displacement can also include business displacement.

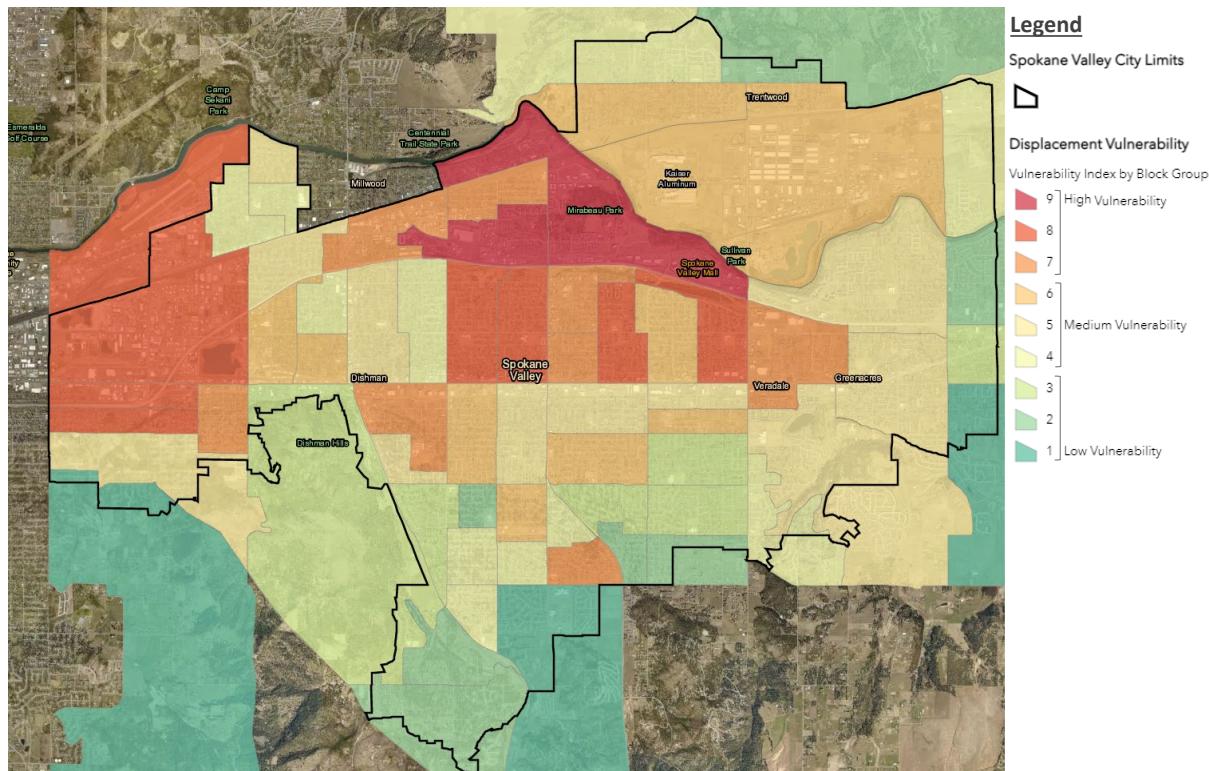
Marginalized communities—be they low-income, a specific race or ethnicity, or another group of people—are at higher risk of cultural displacement than dominant communities. When businesses and housing that serve these communities leave or are removed, people can feel pushed out of their neighborhoods.

2.4.2 Areas with Displacement Risk

Figure 14 shows the results of the socioeconomic and demographic variables identified in section 2.4 that have been used to measure displacement risk. The layering of socioeconomic characteristics for each block group in Spokane Valley shows the neighborhoods that have the highest risk for all three types of displacement. Seventeen of the 64 Census block groups are identified as high vulnerability

and 31 are identified as medium vulnerability. Of the total population that comprises these block groups, 27 percent is in a high-vulnerability block group and 46 percent is in a medium-vulnerability block group.

Figure 14: Displacement Risk in Spokane Valley by Block Group



Source: U.S. Census Bureau (2018). ACS.

More conversations and analysis are needed to truly understand displacement risk. A deeper dive into economic displacement resulting from the spillover of new development requires a robust analysis of new and existing rent trends, which is beyond the scope of this work. In addition, measuring cultural displacement is difficult, and not quantifiable from data. It requires qualitative information from in-person engagement with people living near new development. When the City considers land use changes and planning projects it should track, monitor, and engage intentionally with high vulnerability areas.

2.5 Development Feasibility Analysis

To inform recommendations about new and revised development incentive programs that can support more housing, including more affordable housing, development (or financial) feasibility was analyzed by ECONorthwest using several housing prototypes and market data unique to submarkets and different development types across Spokane Valley.

This development feasibility sensitivity analysis helps identify regulatory and program recommendations that would most effectively advance Spokane Valley's goals of creating new housing to meet forecast demand and growth, creating a variety of housing types at different price points to meet the needs of current and future residents. The results of the sensitivity tests are summarized in the following sections and help to inform recommendations for changes to Spokane Valley's housing programs and development code. Potential regulatory modifications and programs tested herein were informed by the regulatory analysis. Appendix E provides more detail on this analysis, along with a summary of assumptions.

Policy Evaluation and Financial Feasibility

To compare development feasibility and the impact of policy options across different development types, ECONorthwest used a common method to identify economic feasibility called a residual land value analysis. Residual land value is an estimate of what a developer would be able to pay for land given the property's income from rental or sales revenue, the cost to build as well as any cost to operate the building, and the investment returns needed to attract capital for the project. In other words, it is the budget that developers have remaining for land after all the other development constraints have been analyzed.

A few of the housing strategies recommended in this HAP to encourage more housing variety and housing supply include modifications to existing development code as well a recommendation for the City to consider the adoption of a multifamily tax exemption (MFTE) program. Code modifications and the potential addition of MFTE program incentives were analyzed to evaluate their effectiveness in improving the likelihood of development of townhomes and multifamily apartments. A development feasibility analysis tests the impact that various changes to development standards and incentive programs have on market-realistic development examples called prototypes.

2.5.1 Analysis Overview

The purpose of this analysis is to examine a set of key program changes and policy levers that can help “tip” project feasibility for the MFTE program and regulatory changes in Spokane Valley.

This section describes the findings from evaluating a set of key planning tools, specifically the MFTE and regulatory changes—including modifications to the allowed density in certain zones and changes to other development standards. These planning tools were selected for their potential to boost housing production, especially housing priced for low- to middle-income households.

- **MFTE:** The MFTE allows a local jurisdiction to incentivize diverse housing options in urban centers lacking in housing choices or workforce housing units by providing tax exemptions or credits for developers. Essentially this program supports increased housing availability, possibly including affordable units, largely in mixed-income developments conveniently located in urban centers. Chapter 84.14 RCW outlines the existing requirements for implementing a MFTE program. This program exempts eligible new construction or rehabilitated housing from paying property taxes for either an eight-year or a 12-year period. Only projects with four or more rental units are eligible for either the eight- or 12-year exemption, and only property owners who commit to renting or selling at least 20 percent of these units to low- and moderate-income households—earning less than 80 percent of the AMI—are eligible for the 12-year exemption. Spokane Valley currently does not have an established MFTE program. Additional detail on the MFTE program is provided in Appendix E.

MFTE Testing Parameters: Test out the addition of a MFTE program offering a 12-year tax exemption that would require that at least 20 percent of the units be set aside for households earning 80 percent of the AMI or less. In Spokane County, the AMI for a four-person household was \$77,400 in 2020. Two ways that this program was tested were:

- MFTE program without any increase in residential density in MFR zones.
- MFTE program with an increase in allowed residential density up to 40 du/ac in MFR zones compared to the 22 du/ac that is allowed under the current regulations.
- **Density and Development Standards:** The density of residential buildings is limited by the maximum density allowances that the SVMC sets for each zone. Density allowances differ by zone and sometimes are specific to the type of residential building. Residential density is important for housing development because it determines the number of dwelling units that can be built on a parcel. Minimum lot sizes can also influence residential development, since they can prevent development on lots below a certain size.

The number and size of housing units that can be built on a parcel is also determined by requirements for nonresidential uses or areas to be set aside and not developed. Open-space requirements (as well as setbacks and minimum landscape requirements) limit the residential building size on a parcel. The size of the building can also be limited by maximum lot coverage, which determines the largest share of a parcel that a building can occupy.

Residential density on a development site can increase by modifying standards affecting the horizontal aspects of a project (i.e., building footprints via setback and open space regulatory changes) or standards influencing the vertical profile of a project (i.e., the maximum building height).

- **Development Prototypes Tested:** Three prototypes are evaluated in this feasibility analysis; two types of townhomes and garden style apartments. The financial feasibility findings would generally track with other similar missing-middle product types such as duplexes and cottages.

Townhomes are side-by-side- attached single family housing types that are oftentimes associated with fee simple development and small lot sizes. Townhomes can also be built as attached single family condominium housing on larger parcels.

- 3-story townhomes on a 0.3-acre lot. Townhomes are 2-bedroom or 3-bedroom units with about 1,400 square feet (sf) to 1,700 sf of net floor area, sharing walls with neighboring units, a one-car garage on the ground floor, and a driveway that can function as an additional parking stall. They are assumed to sell at about \$421,000 per unit on average.
- 3-story townhomes on a 1.0-acre lot. These townhomes are the same as above, but they are laid out on two rows and share a private alleyway. They are assumed to sell at about \$429,000 per unit on average.

Garden style apartments are generally characterized as three-story wood frame construction multifamily rentals.

- For this analysis ECONorthwest evaluated 3-story, garden-style apartments on a 2.5-acre lot. Apartments have a mix of various sizes ranging from 600 sf for a studio unit to 1,300 sf for a 3-bedroom unit. Residents and their guests have access to surface parking and a shared lobby or common space area. The average rent is assumed to be \$1,400 per month. An example image of a garden-style apartment is show in Figure 15.

Figure 15: Garden-Style Apartment Example



2.5.2 Summary of Development Feasibility Findings

Below is a thematic overview of the findings from the development feasibility assessment. For more detail on the analysis, assumptions, and dollar values of the assessment results, please refer to Appendix E.

- Based on existing development standards and land prices in Spokane Valley, the townhome prototype has limited feasibility in the R-4 zone and three-story garden-style apartments are not feasible in the MFR zone, given current land prices. The value of new development is limited by development standards that restrict the scale of development possible on a parcel. Increasing density allowances is an effective way to encourage development of townhomes and garden-style apartments in Spokane Valley.
- For garden-style apartments, the 12-year MFTE also makes projects more cost-effective and feasible, but it is not as impactful as increasing density allowances to 40 du/ac.
- The development prototypes that tested policy changes included townhomes and apartments at various densities. However, the development feasibility of other missing-middle housing types such as duplexes and cottages would also benefit from these density increases.
- Decreasing open-space requirements, increasing maximum lot coverage, or increasing maximum building height is unlikely to have any meaningful effect on housing development in the near future.

3

HOUSING STRATEGY RECOMMENDATIONS

The strategy recommendations advanced in this HAP were informed by public engagement, data analysis, review of relevant policies and planning documents, staff input, and development feasibility. These recommendations are intended to be options for Spokane Valley that will, if implemented, provide tools to increase housing supply, increase variety of housing types, and/or increase the availability of housing affordable to all income levels in Spokane Valley.

The housing needs assessment concluded that 6,660 new housing units are needed to support growth in the City through 2037. With 1,175 of those units needed for households earning 50 percent or less than AMI, this HAP provides recommended actions that focus on supporting this largely rental household population that is largely cost burdened or severely cost burdened. There is also an additional need for 1,039 units that needs to be targeted to households earning between 50 and 80 percent of AMI. Strategies that encourage and provide incentives to develop missing-middle housing types are provided because these are homes where many millennial families first start or where seniors move to down-size.

There is no “silver bullet” for developing housing strategies, as each idea brings benefits, drawbacks, different levels of impact, and tradeoffs. These recommended actions are proposed because they can help to fulfill housing needs equitably across the spectrum of different household incomes.

The recommendations are organized under the following goals, and are not ordered in any rank or priority:

A. Preserve existing affordable housing and prevent and mitigate displacement. Housing preservation and anti-displacement recommendations can mitigate and minimize the negative effects that often arise from new housing development. Housing preservation and anti-displacement recommendations can expand housing affordability and availability in various ways. Of particular focus is aging housing stock that could be at risk of investment purchases (where they are bought, renovated, and rented at higher prices). This is important in the Census Block Groups identified as at high risk for development feasibility and physical displacement.

B. Increase market-rate and affordable housing supply throughout Spokane Valley but focused on zones that support multifamily and missing-middle housing types. The housing needs assessment found that a range of housing types meeting the affordability needs for a range of household incomes will be needed to meet the identified goal through 2037 as illustrated in Figure 11. Recommended actions to encourage the development of a diversified housing stock include SVMC modifications, provision of incentives, and the consideration of a targeted tax exemption.

C. Increase housing options and housing choice. Increasing housing choice and expanding options to households in Spokane Valley is a focus of several housing and land use policies and goals. The City has policies and regulations that support “middle housing” development, such as cottages, duplexes, triplexes, and ADUs. Recommended actions will

encourage the development of more ADUs, provide for the development of tiny homes and tiny home villages, support transitional housing, and provide for the establishment a City program to fund efforts to supporting housing for the full range of income ranges.

3.1 Summary of Housing Strategy Recommendations

Figure 16 provides an overview of each recommended action by category. These recommendations are within Spokane Valley's control, but work will span departments and involve meaningful contributions from stakeholders such as the City Council and the Planning Commission, as well as renters, homeowners, advocates, developers (both affordable and market-rate), and many others.

Each housing strategy recommendation presented in Figure 16 includes a description of how it advances Spokane Valley's Comprehensive Plan housing goals, the rationale for moving forward, and key next steps. Some recommended actions may cross over into other categories. The detailed assessment of each recommended action follows the summary of recommended actions found in Figure 16.

Only Recommendations

The adoption of this HAP by City Council does not mean these recommendations will all be advanced. The recommended actions will undergo their own process for review, adoption, and engagement.

Figure 16. Summary of Recommended Actions

Action No.	Recommended Action	Description	Implementation Considerations
Goal A: Preservation of Affordable Housing and Displacement Mitigation			
<u>Comprehensive Plan Goals and Policies that support these recommended actions:</u> <ul style="list-style-type: none"> • H-G1 Allow for a broad range of housing opportunities to meet the needs of the community. • H-G2 Enable the development of affordable housing for all income levels. <u>Recommended Comprehensive Plan Goal, Policy, or Strategy Updates to support these recommended actions:</u> <ul style="list-style-type: none"> • Revise H-P1 "Support voluntary efforts by property owners to rehabilitate and preserve buildings of historic value and unique character" to "...preserve buildings that provide affordable housing and buildings of historic value and unique character." • Revise H-P3 "Use available financial and regulatory tools to support the development of affordable housing units." to "...support the development and preservation of affordable housing units." • Consider a Housing Element Strategy that encourages Spokane Valley to monitor its regulated affordable housing units. • Consider a Housing Element Strategy that encourages Spokane Valley to establish a rental housing business license program. 			
A1	Monitor Rent-Restricted Properties	Implement a program to monitor the supply of rent-restricted affordable housing units in the City. Maintenance of such a knowledge base will allow the City and community housing partners to foresee and plan for threats to rent-restricted housing supply.	Evaluate the feasibility from a City resource standpoint of establishing a monitoring program and consider working with housing partners in developing a monitoring program to receive data.
A2	Retain Affordable Market Rate Units	To address potential displacement risks, ensure safe rental housing and collect key data on rental housing properties by establishing a rental housing business license program.	Research and evaluate the costs and benefits of a rental housing business license program for the City in order to monitor the rental housing stock and the income ranges they serve.
A3	Evaluate Potential Displacement Impacts from Proposed Land Use Changes	Identify and track key demographic and socioeconomic data for neighborhoods in Spokane Valley; pay attention to current conditions in areas targeted for growth.	Develop a Spokane Valley program that includes methods to evaluate risks and engages in effective community outreach.
A4	Provide Tenant Support	Work with community partners to increase access to tenant supports. Consider establishing and monitoring compliance with fair housing policies. Seek funding for programs requiring financial aid or resources.	Work with community organizations to identify new programs and partnerships; identify potential funding sources; consider relocation assistance for displaced renters.
A5	Provide Homeowner Resource Assistance	Work with community organizations to increase access to homebuyer supports; seek funding for down payment assistance and financial counseling classes.	Work with community organizations and identify potential funding sources.

Action No.	Recommended Action	Description	Implementation Considerations
Goal B: Increase Housing Supply			
<u>Comprehensive Plan Goals and Policies that support these recommended actions:</u> <ul style="list-style-type: none"> • H-G1 Allow for a broad range of housing opportunities to meet the needs of the community. • H-G2 Enable the development of affordable housing for all income levels. • H-P2 Adopt development regulations that expand housing choices by allowing innovative housing types, including tiny homes, accessory dwelling units, prefabricated homes, cohousing, cottage housing, and other housing types. • H-P3 Use available financial and regulatory tools to support the development of affordable housing units. • LU-G4 Ensure that land use plans, regulations, review processes, and infrastructure improvements support economic growth and vitality. • LU-P14 Enable a variety of housing types. • LU-P16 Maximize the density of development along major transit corridors and near transit centers and commercial areas. • LU Strategy: Collaborate with the private sector to ensure the successful redevelopment of vacant land at Mirabeau Point. <u>Recommended Comprehensive Plan Goal, Policy, or Strategy Updates to support these recommended actions:</u> <ul style="list-style-type: none"> • Revise LU-P13 “Work collaboratively with landlords and developers that seek to provide mixed-use residential projects” to “...that seek to provide affordable housing, mixed-income, or mixed-use residential projects.” 			
B1	Modify the SVMC to encourage production of townhomes and cottages	Decrease minimum lot sizes, increase density limits, and modify the lot coverage ratios in R-4, multifamily, and mixed-use zones. Consider flexibility in open space requirements and setbacks for cottages.	Review potential actions and draft regulations to revise the SVMC.
B2	Adopt a MFTE program	Adopt 12-year MFTE program in R-4, multifamily, and mixed-use zones with an emphasis on transit-served areas.	Conduct a study and solicit input from stakeholders to weigh public benefit of affordable units with lost tax revenues.
B3	Create incentives to produce additional market rate and affordable housing	Allow increased density in exchange for inclusion of affordable units. Waive up to 80 percent of impact fees for projects with affordable units. Consider local sales tax waivers for projects that provide affordable housing at or below 30 percent of AMI.	Conduct additional studies and solicit input to weigh public benefit of affordable units with lost revenues.
B4	Adopt a planned action ordinance(s) in subareas with transit investment or where large, mixed-use phased developments can occur	Subareas with a planned action ordinance will provide for streamlined development where a well-defined vision has been defined, infrastructure investments made, and specific incentives created to encourage mixed-income, mixed-use development.	Weigh potential areas and resources needed to implement a planned action ordinance.

Action No.	Recommended Action	Description	Implementation Considerations
Goal C: Increase Housing Choice			
<u>Comprehensive Plan Goals and Policies that support these recommended actions:</u>			
<ul style="list-style-type: none"> • H-G1 Allow for a broad range of housing opportunities to meet the needs of the community. • H-G2 Enable the development of affordable housing for all income levels. • H-P2 Adopt development regulations that expand housing choices by allowing innovative housing types, including tiny homes, accessory dwelling units, prefabricated homes, cohousing, cottage housing, and other housing types. • H-P3 Use available financial and regulatory tools to support the development of affordable housing units. • H-P4 Enable the creation of housing for resident individuals and families needing assistance from social and human services providers. • LU-G2 Provide for land uses that are essential to Spokane Valley residents, employees, and visitors. • LU-P9 Provide supportive regulation for new and innovative development types on commercial, industrial, and mixed-use land. • LU-P14 Enable a variety of housing types. 			
<u>Recommended Comprehensive Plan Goal, Policy, or Strategy Updates to support these recommended actions:</u>			
<ul style="list-style-type: none"> • Add a Housing Element Strategy that focuses Spokane Valley on exploring the development of a housing fund to support the development of new units and preservation of existing units that target moderate-income to extremely low-income households. 			
C1	Update regulations for Accessory Dwelling Units	Development of ADUs has been slow; modifications to the SPMC may increase the production of these attainable units.	Revise ADU standards and established approved models.
C2	Permit and clarify tiny home regulations	Allow tiny homes as an alternative to ADUs. Allow for tiny house villages in MU zones or on publicly/religious owned properties to promote development of lower-cost transitional housing. Consider minimum density requirements for tiny house villages.	Review and modify land use and building codes to permit tiny homes in specific zones.
C3	Coordinate with existing systems of care for effective Homeless Services Implementation	Establish siting requirements for homelessness support centers and establish streamlined policies, regulations, and guidance relating to the siting of Homeless Services in City.	Evaluate best practices and the feasibility of siting shelters or transitional housing. Continue to engage with the community and partners about the need for such facilities and how they will integrate in the area.

Action No.	Recommended Action	Description	Implementation Considerations
C4	Develop a City managed housing fund program, such as a housing trust fund, to supporting housing for moderate to extremely low-income households	Identify new funding sources that may formalize a housing fund program such as a housing trust fund including, but not limited to an affordable housing property tax levy, grants, consortium and supplement funds to be received from the recently adopted sales and use tax credit for affordable and supportive housing. These funds may be used for direct investments, to leverage grants, and partner with non-profit service providers and affordable housing developer to support extremely low-income to low-income households.	Evaluate the range of ways these funds may be used for direct investment or to leverage additional dollars. Consider needed staffing resources to manage a housing funds program. Draft a plan to define how the City will expend the sales and use tax funds it currently collects to support of low- and extremely low-income households. Develop the rationale for a housing tax levy including potential impacts to the average household and a detailed plan for how funds would be used and gauge community support.

3.2 Assessment of Housing Strategy Recommendations

Goal A. Preserve affordable housing and prevent and mitigate displacement.

A1. MONITOR RENT-RESTRICTED PROPERTIES

Spokane Valley should consider a staff program that allows it to monitor its supply of rent-restricted affordable housing. As described in the Housing Needs Analysis section, Spokane Valley has approximately 1,663 units of rent-restricted affordable housing (see page 12). These properties have been built and maintained at different times, with different funding types and different restrictions on their affordability. They all have various expirations on those affordability restrictions as well.

Rationale: When affordability restrictions end, rent-restricted properties are at risk of moving to market-rate housing, losing critical affordability for their tenants. This risk is particularly high if properties are owned by private, for-profit companies (nonprofit affordable housing owners and operators will typically work to keep the rents affordable). When affordability restrictions end, properties often must be recapitalized (get new funding and loans) and/or rehabilitated to improve their physical conditions and renew affordability limits. This funding is typically competitive and hard to find. In tight housing markets, for-profit developers may seek properties that need rehabilitation, finance the construction with debt, and then raise the rents to pay for the debt service, thereby removing units from the affordable housing stock.

By monitoring rent-restricted affordable housing properties that are nearing their affordability expiration dates, Spokane Valley can be a strong partner and advocate. With the big-picture knowledge of rent-restricted property conditions the City may either directly work with the property owners through a housing fund program it establishes or direct owners to its housing partners to help secure needed funding and prevent the property from becoming market rate.

Next Steps:

- Evaluate the level of effort and staffing resources needed to establish a monitoring program or identify a community partner to lead the effort.
- Ensure that Spokane Valley has a relationship with, and proper contact information for, all rent-restricted affordable housing property owner-operators in Spokane Valley.
- Work with these housing providers to ensure that data sharing is possible; consider setting up a reporting agreement with reporting information and deadlines.
- Create a database and mapping system to monitor and plan for these upcoming expirations.
- Become familiar with the various funding sources that are available to support recapitalization and rehabilitation (see Appendix F for a list of national, state, and local funding sources for affordable housing).

A2. RETAIN AFFORDABLE MARKET RATE UNITS

Spokane Valley should collect key data on its rental housing properties by developing a rental housing business license program. A good starting point would be to establish reporting requirements of landlords and gather additional information on rental rates ranges and housing prices. This would provide Spokane Valley with a more detailed inventory of low-cost market rentals (also called NOAHs) across Spokane Valley.

Rationale: Because regulated affordable housing is so difficult and costly to build, most low-income households live in unregulated, but affordable housing. This type of affordable housing is not a rent-restricted property, but a lower-cost property that is attainable to very low-income to moderate-income households. Because these housing units are not regulated, rents can increase by any amount at any time, putting these households at high risk of housing insecurity and displacement.

Spokane Valley could evaluate the feasibility of implementing a monitoring program on its own or partnering with a non-profit. This program could provide a unique, low-cost, and low-barrier way to monitor and track the low-cost market rentals. Regular updated access to this type of data would allow Spokane Valley to actively monitor the rents and affordability levels of rental housing as well as to have readily available contact information for landlords when properties are listed for sale. An expanded program could inspect and license rental housing to ensure that landlords maintain their units consistent with livability standards.

Tracking Housing Conditions in Spokane Valley

A robust housing monitoring database would include the following. Most of these data points (such as address, size, and landlord contact information) likely are already collected through the annual licensing and inspection process, but the database could be more useful if additional information were gathered from landlords. As a start, this type of information could be voluntarily supplied by landlords, with required reporting coming as staffing and organizational capacity allows. In addition, some information (such as code enforcement) may be collected by other city departments or through collaboration with county agencies. The City of Tukwila and the City of Burien have established such programs.

Basic Information

- Property address
- Property size (number of units)
- Year built
- Contact information for the landlord
- Management company (if applicable)
- Inspection results and schedules (with particular attention to deferred maintenance at the property)
- Property violations or complaints

Additional Information

- Rents by unit type
- Number of renters using rent assistance programs
- Typical unit amenities
- Amenities on site
- Number of units and properties owned by landlord (can be provided in ranges)

Next Steps:

- Develop a work plan and identify staffing needs and potential partners. The work plan should consider the feasibility of managing a rental housing licensing program and fee structure to understand impacts for cost-recovery and staffing needs. Inspections and licensing programs can be structured to be revenue neutral, where fees cover all programmatic expenses.

- Work directly with the Landlord Association to identify and mitigate challenges with the establishment of a monitoring program.
- Establish criteria to identify properties at risk for displacement, such as those that have low rents, meaningful deferred maintenance, few units (e.g., fewer than 20), noninstitutional owners, and those that are in amenity-rich areas, near recent redevelopments, or on high-cost land. These factors all increase the risk that a mom-and-pop landlord might look at deferred maintenance needs and decide to sell their property to a willing investor. With this information the City or its partners may help match high risk properties with funds from a City housing fund or other resources available to housing partners such as with home repair grants and loan programs supported by the state.

A3. EVALUATE POTENTIAL IMPACTS FROM DISPLACEMENT WHEN PROPOSING LAND USE CHANGES

Figure 13 shows only one of the many tools and strategies available to monitor displacement risk. Displacement does not happen equally across Spokane Valley, as some neighborhoods and some communities are more likely to be forced from their homes because of economic, physical, or cultural changes.

Spokane Valley should continue to monitor these areas as development takes place, housing market conditions change, or development opportunities continue to expand. Special attention should be paid to historically marginalized communities such as communities of color, immigrants, and non-English-speaking communities.

The Displacement Vulnerability Risk map in Figure 13 shows one point in time. Community-level demographic changes can occur relatively quickly. The methodology for this analysis is included in this report and can easily be updated regularly by City staff.

In addition, before land use and Comprehensive Plan updates are enacted in areas with high displacement risk, Spokane Valley should reassess risk and proactively engage with the communities where such changes will be proposed. Spokane Valley should integrate this risk assessment with its approval criteria in SVMC 17.80.140.H for Comprehensive Plan amendments and develop safeguards in response to its findings.

Rationale: With a nuanced understanding of the areas that might have the most vulnerability to physical, economic, and cultural displacement, Spokane Valley can employ its anti-displacement recommendations in a geographically focused way. Many of the tenants living in unregulated affordable properties will be at risk if their building is purchased and rents rise. In addition, Spokane Valley-led changes in zoning allowances to allow more intense housing development can increase the chances that households vulnerable to displacement will see increased displacement pressures. Consequently, displacement risk should be assessed before rezones and safeguards are developed in response to the findings.

Next Steps:

- Create an update process for identifying and assessing key factors associated with displacement risk, using the most up-to-date data.
- Focus on historically marginalized communities such as communities of color, immigrants, and non-English-speaking communities.
- Spokane Valley could choose to have more targeted outreach in these areas with high displacement risk to better understand the community's desired outcomes relative to proposed zone changes.

A4. PROVIDE MORE TENANT SUPPORT

Spokane Valley should explore additional tools and practices to strengthen tenant support. This recommendation suggests working with community organizations to provide a broad array of community-based supports and resources for tenants and renters. The City, either directly or with its housing partners, could better support tenants in accessing services by providing an accessible resource to understand legal protections through the state's Residential Landlord-Tenant Act ([RCW 59.18](#)). Additionally, a responsive code enforcement department for those rentals that are in disrepair or unfit for habitation when landlords are nonresponsive may also help.

Rationale: Direct resources that support residents in Spokane Valley will help minimize and mitigate the effects of displacement pressures. At the federal level, the Federal Fair Housing Act prohibits housing discrimination based on race, color, national origin, religion, sex, familial status and disability. (Title VIII of the Civil Rights Act of 1968, as amended in 1988 (42 U.S.C. §3601 et seq.) and Civil Rights Act of 1866 (Title 42 of the United States Code sections 1981 and 1982)). Tenants need to know their federal and state tenant rights and feel empowered to maintain their housing, particularly for households belonging to marginalized communities (such as immigrant and refugee communities, communities of color, and low-income communities).

Organizations such as the [Fair Housing Center of Washington](#) serve as a resource for jurisdictions implementing projects that use federal funds to affirmatively further fair housing (AFFH). [Local Housing Solutions](#) is another resource that connects housing strategies with AFFH.

Next Steps:

Spokane Valley could establish, update, or strengthen resources available to tenants involving:

- Low-barrier application screening (e.g., [Fair Choice Housing](#) or [Ban the Box](#) efforts).
- Create tenants' rights and education resources (e.g., funding for [RentWell](#) programs).
- Require language translation of tenant information to increase the education available to immigrant and refugee communities.

A5. PROVIDE HOMEOWNER RESOURCE ASSISTANCE

Spokane Valley should work with community organizations to explore and expand on a range of homeownership assistance programs. There are many aspects of homeownership assistance that Spokane Valley could consider supporting through partnerships with regional organizations.

Rationale: A major way to mitigate displacement is by increasing the homeownership rate, particularly for low-income households, households of color (who have historically lower homeownership rates than white households), as well as immigrants and refugees. Displacement often does not affect homeowners, in large part because they have fixed mortgage payments that cannot change without warning (taxes do change but they are a small portion of overall homeownership housing costs). In addition, because lenders size a mortgage to a buyer's income and ability to pay, homeowners are less susceptible to cost burdening and housing insecurity, absent a sudden change in income. Because homeowners are largely shielded from larger economic and housing market changes, encouraging homeownership is one of the best ways to prevent physical and economic displacement. It cannot, however, prevent cultural displacement.

Next Steps:

Homeownership down payment assistance programs can be challenging to maintain and can only help a limited number of households. Many homeowner and homebuyer resources require funding through grant programs such as the Washington State Housing Trust Fund grants and loans or HUD's HOME programs managed by Commerce. Spokane Valley's role can be to enhance its partnerships with regional organizations already working in these areas and explore avenues to educate and provide resources for prospective homeowners. Areas where the City can provide additional resource support include:

- Hosting homebuyer education (classes educating renters on the home buying process).
- Foreclosure assistance and counseling.
- Energy assistance and counseling.
- Provide resources on cooperative ownership housing models (information and guidance for tenants looking to buy out a landlord and establish a cooperative ownership structure).
- Provide resources on community land trust models (which provide shared equity as home prices appreciate, while still maintaining long-term affordability).
- Down payment assistance (funding would have to be identified, and income thresholds would have to be carefully considered to establish eligibility criteria).
- Homeownership weatherization and rehabilitation grants.

Goal B. Increase market-rate and affordable housing supply throughout the city but focused on zones that support multifamily and missing-middle housing types.

B1. MODIFY THE SVMC TO ENCOURAGE PRODUCTION OF TOWNHOMES AND COTTAGES

Townhouses and cottages are permitted under the supplemental use regulations in the R-4, MFR, MU, and CMU zoning districts. The Neighborhood Commercial zoning district also permits townhouses. Spokane Valley defines a townhouse development as one where between three and six attached single-family dwelling units are developed side by side, and a cottage development as one where small, detached, single-family dwelling units are developed as a group clustered around a common area.

A limited number of townhomes have been developed in the City, and no cottage projects have been completed to date. This action recommends modifications to density requirements and minimum lot sizes in the R-4 zone, and allowing unit-lot subdivisions to improve development feasibility for townhome and cottage developments. Unit-lot subdivision defines boundary lines and use areas within a larger "parent" parcel for the purpose of defining and creating individual sellable lots. This is primarily used when multiple buildings are designed to fit on a single original lot such as for townhome and cottage developments. Site development standards apply only the parent site as a whole. New buildings are on individual lots allowing for fee simple transfer to new owners. Many cities have adopted code to support this type of subdivision including Spokane, Wenatchee, Arlington, Seattle, and Bellevue to name a few.

The following recommended SVMC modifications would improve development feasibility and encourage the development of more missing-middle housing for moderate-income and middle-income households.

- Increase the residential density in the R-4 zone from ten du/ac to 15 du/ac.
- Decrease the minimum lot size for townhomes in the R-4 zone from 4,300 square feet to 2,000 square feet.
- Reduce the building setback and open space requirements for cottage developments for projects that provide affordable housing.
- Allow unit-lot subdivisions.

Rationale: The City already accommodates townhouses and cottages as permitted uses in the R-4 zone, so modifications that help encourage these product types are likely to be more palatable politically than extending these changes to other residential zones. The regulatory review in Appendix C highlights regulatory barriers that limit townhome development. The development feasibility analysis in Appendix E found that the current code results in residual land values that fall at or below average land prices. Further, for lots with existing homes, the development economics become even more challenging. The analysis of the modifications found that developers likely will respond positively by producing townhome units in R-4. Because of challenging economics, cottage projects are not as common as townhomes. Reducing setbacks and open space requirements for cottage projects with affordable housing improves development economics and will encourage more missing-middle development.

Next Steps:

- Review potential actions and draft regulations to revise the SVMC.
- Evaluate the potential impacts from displacement of residents in existing NOAH single-family rental homes and consider the potential benefits and resource costs/impacts to implement a relocation fee program. The fee would be paid by developers to the City's housing fund for supporting tenant relocation elsewhere in Spokane Valley.

B2. ADOPT A MFTE PROGRAM

Spokane Valley should consider establishing a 12-year MFTE program in mixed-use and multifamily zones that are transit served. Spokane Valley should consider establishing a MFTE program with the 12-year affordability requirements to capture value from the financial incentive. This MFTE program should also be packaged with modifications to density standards.

With the COVID-19 pandemic hurting cities' economic and fiscal outlooks, special consideration will have to be given to the impact of an MFTE program on Spokane Valley's tax revenues.

Rationale: Tax abatements positively impact the feasibility of projects where market-rate projects are feasible and can help cross-subsidize the affordable units. When considering a MFTE program, careful consideration of the temporary loss of tax revenue from the new affordable units against the potential attraction of new investment. MFTE can help support increased housing production by increasing the feasibility of multifamily and mixed-use development. If MFTE were to be applied in areas planned for frequent transit, such as the Sprague, it could increase the development feasibility of the existing MFR and mixed-use zones.

When a project is approved under a multifamily tax exemption program, the value of eligible housing improvements is exempted from property taxes. Property tax revenue is still collected on remainder of the project.

The current development standards in the MFR zone create marginally feasible projects, but the MFTE program with the 12-year tax exemption will add new units at 80 percent of AMI or less that would not have been developed otherwise. The 12-year MFTE program specifically increases the supply of affordable housing, and this incentive could be paired with an increased allowed density from 22 du/ac currently allowed in the MFR zone up to 40 du/ac. Such an incentive would improve the development feasibility of projects adding density. Multifamily development in the CMU and MU zones is considered commercial and has no density limits. Project in these mixed-use zones will not need the density bonus; however, the MFTE program will improve project performance and provide units affordable to moderate income households.

Next Steps:

- Explore the programmatic implications for the City to create and manage a 12-year MFTE program for projects delivering at least 10-units to support both housing development and new affordable housing. The City could refer to other city's MFTE programs such as the City of Bellingham's (<https://cob.org/services/planning/development/mfte>).
- To weigh the fiscal impacts and potential benefits associated with increased housing production (market and affordable units) study the potential impacts to the City's tax base. Specific to Spokane Valley is that it has not taken its property tax increases for 12 years, so the only increase in property tax is from new construction. An MFTE program that reduces tax revenue from the affordable units in new developments would have an increased effect for the City's revenues compared to cities who take annual increases.
- Conduct additional outreach with developers, impacted residents, and other stakeholders to determine the best approach to land use changes. Ensure that potential displacement is evaluated alongside any proposed land use density changes.

- Map out the process to adopt a MFTE program including the creation of targeted areas (RCW [84.14.040](#)) that are designated urban centers. The creation of urban centers requires a Comprehensive Plan amendment. Urban center means a center designated as such in the land use element of the City's Comprehensive Plan. An urban center is an identifiable district containing business establishments, adequate public facilities, and a mixture of uses and activities, where residents may obtain a variety of products and services (RCW [84.14.010\(18\)](#)).

B3. CREATE INCENTIVES TO PRODUCE ADDITIONAL MARKET RATE AND AFFORDABLE HOUSING

Several tools for incentivizing market rate and affordable housing may be adopted by Spokane Valley. These incentives provide an exchange where a city offers a benefit to a proposed project such as a density bonus, a mechanism for reducing project costs like reduced parking, or a means to streamline the permitting process. In exchange, the developer agrees to provide a certain percentage of affordable units for a certain number of years. These incentives could be limited to certain zones or overlay zones. Density bonus programs may also allow developers to contribute to a housing fund in lieu of building the units themselves. The following incentives are recommended strategies to increase affordable housing production (see Appendix E the analysis summary):

- This HAP recommends modifying the permitted R-4 density from 10 du/ac to 15 du/ac to encourage townhome and cottage development. This strategy recommends increasing the modified permitted density from 15 du/ac to 22 du/ac for townhome and cottage developments if 20 percent of the units are set aside for households earning 80 percent or less of AMI. These units would also be eligible for the MFTE incentive.
- Increase the allowed density in the MFR zone from 22 du/ac to 40 du/ac if 20 percent of the units are set aside for households earning 80 percent or less of the AMI. These units would also be eligible for the MFTE incentive.
- Consider a fee-in-lieu program for projects seeking the additional density but choosing to forego providing affordable housing on site. These funds would be managed by Spokane Valley's housing fund program to support affordable housing elsewhere in the City.
- Waive up to 80 percent of impact fees for projects that provide affordable units targeted toward households earning 60 percent or less of the AMI.

Rationale: The analysis in Appendix E found that the development economics create a strong motivation for the development community to respond positively to these incentives. Pairing the density bonus with affordable housing requirements provides housing choices for a broader range of household incomes.

Next Steps:

- Conduct additional studies and solicit input to weigh public benefit of affordable units with lost property tax and sales tax revenues.
- Evaluate a fee-in-lieu program to access the density bonus in exchange for funds that Spokane Valley may use to support affordable housing development and preservation.

B4. ADOPT A PLANNED ACTION ORDINANCE(S) IN SUBAREAS WITH TRANSIT INVESTMENT OR WHERE LARGE, MIXED-USE PHASED DEVELOPMENTS CAN BE BUILT

Planned actions, which are authorized under SEPA (RCW 43.21C.440 and WAC 197-11-164 through -172), provide more detailed environmental analysis during an areawide planning phase rather than during the permit review process. As a result, future projects in the designated planned action area do not require SEPA determinations at the time of permit application if they are consistent with the type of development, growth and traffic assumptions, and mitigation measures studied in the environmental impact statement or the threshold determination.

Rationale: A planned action ordinance would help streamline the development process for projects in the planned area. Planned actions may help Spokane Valley increase its housing supply and add to its low- and middle-income housing stock near transit and jobs. Transit oriented development around Spokane Transit Authority (STA) investments also encourages more ridership helping to justify its investment.

Next Steps:

- Administering the planned action ordinance process can be an expensive endeavor for the City. It should estimate the resources to develop needed to implement a planned action ordinance and identify potential grants or funding partners such as the STA that may help offset these costs.
- Identify potential subareas for a planned action. Two areas for consideration may be a portion of the Sprague Avenue corridor between Havana and Pines and the station area at Mirabeau Point.
- Coordinate with the STA on its plans for future station areas and discuss the concept of partnering with housing developers to provide affordable housing its surface parking lots in a transit-oriented development.

GOAL C. INCREASE HOUSING OPTIONS AND HOUSING CHOICE.

C1. UPDATE REGULATIONS FOR ADUS

ADUs are currently permitted in all Spokane Valley zoning districts except for MFR. These units are regulated by SVMC 19.40.030, which contains the siting, building, parking, and ownership requirements for developing an ADU. Several recommended revisions to this section could increase the pace of ADU development. Appendix G provides additional background on ADUs. Spokane Valley could consider the following:

- Eliminate or reduce the off-street parking requirement for an ADU if the owner can provide evidence it already has enough parking area to meet this requirement. Adding off-street parking space to the existing parking requirements can make development of an ADU cost prohibitive and physically impossible.
- Remove the ownership requirement for developing an ADU. There are over 4,850 single-family homes in Spokane Valley for which the tax bills are mailed to different addresses. These homes are likely rental properties and would not be allowed to have an ADU. Generally, requiring owner-occupancy of one of the units can negatively impact ADU construction. Some cities have removed such requirements or has modified them—for instance, the City of Renton exempts owner occupancy requirements in exchange for 60-percent-AMI affordability.
- Spokane Valley should explore whether there are feasible opportunities to relax the size limitations to allow for more flexibility and smaller units that could result from the conversion of garage spaces.
- Relaxing the ADU setback requirements (particularly the side and rear) to five feet could make ADU projects more feasible, particularly on lots with irregular or elongated shapes.
- Lower barriers to allow homeowners to consider developing ADUs and consider reducing costs by allowing strategic permitting fee waivers for affordable dwellings.
- Increasing the density to allow for two ADUs per lot could be helpful, particularly if Spokane Valley sees increasing demand for ADU housing options. Jurisdictions will not see large numbers of ADUs being constructed until the market rents reach a level that makes development feasible.
- Monitor: Cities may need to address short-term vacation rental use of ADUs and spillover effects in terms of parking, service, and neighborhood impacts.

Rationale: The City recognizes that approximately 30 ADUs have been formally developed in Spokane Valley since 2012 based on available permit data. These recommendations are intended to encourage the development of ADUs. These units help to broaden housing diversity and choices in a wider range of neighborhoods, since they can be offered at a more affordable cost because of their small size. ADUs also offer additional options for seniors and younger populations, single-person households, etc. The AARP surveyed people 50 and older and found that they would consider creating an ADU to provide a home for a loved one in need of care (84 percent), provide housing for relatives or friends (83 percent), feel safer by having someone living nearby (64 percent), have a space for guests (69 percent), increase the value of their home (67 percent), create a place for a caregiver to stay (60

percent), and earn extra income from renting to a tenant (53 percent)⁸. Finally, ADUs can blend into single-family neighborhoods and be a source of added income to help pay housing expenses.

Next Steps:

- Evaluate the possible impacts from modifying the ADU regulations around parking and ownership requirements.
- Revise ADU development standards in the SVMC.
- Eliminate or reduce ADU-related permit fees.
- Establish approved ADU models to expedite permitting.

⁸ Source: AARP Home and Community Preferences Survey, 2018.

C2. PERMIT AND CLARIFY TINY HOME REGULATIONS

Tiny houses are one way to provide a housing option for individuals and households who desire privacy and smaller home size but prefer single-family home amenities. Tiny homes, sometimes referred to as micro-homes, are small, single-family dwellings, typically 80 to 200 square feet but almost always less than 500 square feet and have a kitchen and a bathroom. Appendix G provides additional background on tiny home considerations.

Until recently, state law, building codes, and local regulations have presented numerous legal and logistical barriers to siting and building these very small, detached dwellings. In 2019, the state legislature passed ESSB 5383, which updated state law to enable the development of tiny houses or tiny house communities throughout the state. This law defined tiny houses and mandated that the building code council write building codes for tiny homes by the end of 2019. Washington State has adopted Appendix Q Tiny Houses which relates to tiny homes on a foundation.

Micro-home (i.e. Tiny homes) vs Micro housing units

Micro housing units typically are very small dwelling units in multi-family buildings in which all living space other than a bathroom is contained in a single room (usually under 300 square feet). Generally, the units share common kitchen, laundry, and gathering spaces. Micro-housing in theory could be less expensive than a standard 1-bedroom apartment but this is not always the case. This type of housing usually is targeted to a very specific population—single-person households typically in their 20s and 30s either in college or working.

Spokane Valley can do the following to study and improve its code and policies on tiny houses:

- Add definitions for tiny houses to differentiate them from trailers, manufactured homes, and recreational vehicles. This includes clarifying that only tiny houses on foundations (not on wheels) are allowed.
- Create a permit pathway for Binding Site Plans that allow siting of tiny homes (such as in a manufactured-home park).
- Consider modifying the land use matrices to specify where tiny houses or tiny house villages would be permitted or conditionally allowed. In general, review the zoning code to identify potential hurdles associated with tiny home development. Tiny house village communities include property that can be rented or held by other others for the placement of tiny houses. These can also provide transitional housing for those experiencing homelessness (these villages have been built in Olympia and Seattle).
- Allow tiny homes, set on a foundation, to be utilized as a detached ADU to lower construction costs.
- Analyze the potential for the updated International Residential Code (IRC) with Appendix Q (2018) modified to be included in the building code to incorporate tiny house building standards. This IRC defines a tiny house as a dwelling smaller than 400 square feet excluding lofts. The Washington state legislature (via ESB 5383) recognizes that the IRC has issued tiny house building code standards in Appendix Q which can provide a basis for the standards requested within this act. This is important since the building code can be the most significant hurdle for legally constructing a tiny home.

Rationale: Tiny houses are one way to provide a housing option for individuals and households who desire privacy but do not want or cannot afford a large, single-family home. They can also be used as a way of providing housing for people experiencing homelessness.

Next Steps:

- Review and modify land use and building codes to permit tiny homes in specific zones.
- Update site plan approval criteria to account for unique site needs of tiny houses. This would benefit from a process soliciting input from tiny home developers. As a first step, the City should solicit input or convene a focus group or working group including tiny house owners and developers, city planners, and city building code experts to review how tiny homes would fit in the existing site plan approval process and identify regulatory barriers and possible areas of flexibility related to the use of the IRC.
- Because a negative perception of tiny homes may present hurdles, develop material summarizing the rationale and benefits for this housing type.

C3. COORDINATE WITH EXISTING SYSTEMS OF CARE FOR EFFECTIVE HOMELESS SERVICES IMPLEMENTATION

Homelessness is a housing challenge in Spokane Valley. The Washington state Growth Management Act requires that communities plan for all economic segments of the population. This strategy addresses the very lowest income segments by recommending approaches to supporting shelters and transitional housing to help stabilize these households as they move into permanent housing. There are several ways that cities can address homelessness. The [Homelessness & Housing Toolkit for Cities](#) produced by Association of Washington Cities and Municipal Research and Services Center (2020) provides some resources and case studies.

Rationale: Spokane Valley has identified a need to include goals and strategies related to homelessness in the current Comprehensive Plan update process. While the Comprehensive Plan includes goals and strategies related to affordable housing, it does not currently address homelessness. This strategy provides recommendations for supporting the very lowest income segments of Spokane Valley.

Next Steps:

- Include a land use and housing goal in the Comprehensive Plan that addresses Spokane Valley's intention to supporting transitional housing.
- Identify best practices and potential siting requirements for shelters and transitional housing such as tiny home villages, including, but not limited to, land owned by the public or a religious institution.
- Actively engage with existing service providers, faith-based organizations and regional bodies to coordinate housing resources.
- Consider Spokane Valley's role in the countywide approach to addressing homelessness and evaluate the benefits and impacts from managing its portion of the real estate excise tax fees to support the homeless community as it seeks to transition to stability.

C4. DEVELOP A HOUSING FUND PROGRAM

A Spokane Valley housing fund program could serve three functions: (1) being a resource for the development community seeking input on funding options; (2) managing active funding resources such as Spokane Valley's recently adopted sales and use tax funds for affordable and supportive housing or other potential future funding sources; and (3) collaborating, educating and advocating on new projects, initiatives, and the pursuit of new funding sources.

Rationale: A housing fund program will help facilitate more housing options at the moderate- to low-income levels. There is one active funding sources this program can manage plus several others it could help Spokane Valley evaluate and pursue. This program could also help manage monitoring activities identified in Strategies A1 through A3.

In the near term, this program would manage the sales and use tax fund for affordable and supportive housing. Spokane Valley has estimated the annual increase of funds from this program to be approximately \$178,000. These funds can be used for acquiring, rehabilitating, constructing, or operating and maintaining new affordable housing units. These funds cannot be used to fund construction or operation of a homeless shelter, but instead are reserved for longer-term low income, affordable, and supportive housing. Spokane Valley can use these funds independently, or they can be pooled in partnership with funds from other regional organizations to pay for a larger regional affordable housing development.

Spokane Valley may consider two other funding sources that may support a housing fund program promote housing choice and increase housing options: Homeless Housing Assistance Act (HHAA) funds and a city-wide property tax levy (RCW 84.52.105). To begin receiving HHAA funding from recording fees, Spokane Valley would need to take responsibility for homeless housing within its borders by forwarding a resolution to the Spokane County Board of Commissioners stating its intention and commitment to operate a separate program. Spokane Valley must then comply with the same requirements as Spokane County and the City of Spokane under the HHAA. Based on 2019 recording fee collections, this program could generate approximately \$657,750 per year.

The property tax levy requires voter approval and would place an additional tax of up to \$0.50 per thousand dollars assessed for up to ten years. For a home valued at \$300,000, this levy would increase the household property tax burden by \$150. Funds must go toward financing affordable housing for households earning below 50 percent MFI. Based on current tax rolls, this could generate up to approximately \$4.7 million per year. While these taxpayer supported funds could be leveraged to a range of affordable housing developments and initiatives, passing a levy can be very challenging. Even with a well-defined rationale communicated to the public, taxpayers may still not support an additional tax.

A complete list of Washington state, local, and federal affordable housing funding sources can be found in Appendix F. A Spokane Valley program can coordinate with other regional housing providers and offer developers resources when seeking tax credit or bonding funding from the Washington State Housing Finance Commission as well as resources from Commerce-led funding programs. These funding sources are competitive statewide.

Next Steps:

- Identify and define the housing fund program including sources of revenue, programmatic priorities, and staffing resources needed in order to justify its creation.
- Evaluate the resources needed to staff the program.
- Ensure that its focus is on supporting the development and preservation of low- to moderate-income households in areas of Spokane Valley that are served by transit or where households are at greater risk for displacement.

4 IMPLEMENTATION PLAN

In the coming years, implementing the HAP will require Spokane Valley to balance and coordinate its pursuit of actions, funding, and partnerships with its other policy and programmatic priorities. This section outlines an implementation process that will improve success with advancing this HAP's recommendations.

4.1 Develop and Assign Work Programs

The city's implementation of the 13 recommendations in this HAP will require varying levels of effort. Each recommendation will require different levels of partnership and staff time and will function at varying scales (working at the property, neighborhood, or citywide level).

Each of these recommendations is within Spokane Valley's control, but work will span departments and involve meaningful contributions from stakeholders such as the City Council, Planning Commission, residents, homeowners, neighborhood associations, advocates, developers (both affordable and market rate), and many others. The city will need to assess the varying levels of effort, assign staff, and examine technological solutions to develop work programs that can help complete the needed analysis and initiate important conversations with these stakeholders.

It is important to have a HAP that balances different housing needs among its current and future residents. This HAP includes targeted actions to help compensate for where the supply is tight and to help those who are underserved or where demand is growing. The recommendations also address the need for both subsidized and non-subsidized market rate housing. Figure 17 provides an overview of each action, focusing on their impacts to Spokane Valley's key goals of increasing housing affordability and lowering displacement risk.

Figure 17. Summary of Recommended Actions and Implementation Considerations

Goal A: Preservation of Affordable Housing and Displacement Mitigation.

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing ⁹
Action A1: Monitor Rent-Restricted Properties				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Document the level of effort and staffing resources needed to establish a monitoring program and identify the potential for a community partner to lead the effort.				
<i>If City chooses to advance past the first task, then...</i>				
Creation of contact list for all rent-restricted affordable housing properties and property owner/managers in Spokane Valley.	Administrative	Housing & Homeless Coordinator or Community partner	Existing staff time	Short-term, ongoing
Establish a data sharing relationship with housing providers. Provide them with a reporting agreement with reporting information and deadlines.	Administrative	Housing & Homeless Coordinator or Community partner	Existing staff time	Short-term, ongoing
Create a database and mapping system to monitor that flags at risk regulated properties of and plan for these upcoming expirations.	Administrative	Economic Development Division or Community partner	Existing staff time	Short-term, ongoing
Develop a shareable database of funding sources that are available to support recapitalization and rehabilitation.	Administrative	Economic Development Division or Community partner	Existing staff time	Short-term, ongoing
Action A2: Retain Affordable Market Rate Units				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Develop a work plan for and identify staffing needs and potential partners for the creation of a rental-housing monitoring program.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term
<i>If City chooses to advance past the first task, then...</i>				
Work directly with the Landlord Association to identify and mitigate challenges with the establishment of a monitoring program.	Administrative	Housing & Homeless Coordinator or Community partner	Existing staff time	Short-term, ongoing

⁹ Proposed timing description: Short-term: 1 year, start after plan approval | Medium-term: 2-3 years, completed by 2024 | Long-term: 4-5 years, completed by 2026 | Ongoing

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing ⁹
Implement work plan, informed by input from Landlord Association, including establishment of database, system for collecting information from landlords and tenants, and a potential fee system.	Administrative	Housing & Homeless Coordinator or Community partner	0-1.0 FTE to manage program. Program fees and/or City funds	Short-term, ongoing
Establish criteria to identify properties eligible for resources. The list of properties identified would be flagged as at risk for displacement due to property disinvestment and/or increasing land values.	Administrative	Housing & Homeless Coordinator or Community partner	0-1.0 FTE to manage program. Program fees and/or City funds	Short-term, ongoing
Create a tool-kit for eligible landlords of high-risk properties in need of upgrades to assist with resourcing funds to from a City housing fund or other resources available to housing partners.	Administrative	Economic Development Division or Community partner	0-1.0 FTE to manage program. Program fees, City funds and/or City housing fund	Short-term, ongoing
Action A3: Evaluate Potential Displacement Impacts from Proposed Land Use Changes				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Using the most up-to-date data, update and maintain a GIS web map that identifies the areas with the greatest displacement risk. Create an update process for maintaining the web map.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term
Conduct targeted outreach in these areas with high displacement risk to better understand the community's desired outcomes relative to proposed zone changes.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term, ongoing
Create a review standard for assessing how potential policy changes may impact housing in neighborhoods facing displacement risk.	Administrative Legislative	Housing & Homeless Coordinator	Existing staff time	Short-term, ongoing
Action A4: Provide More Tenant Support				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Create a resources webpage that is updated regularly for tenant information that is accurately translated in multiple languages to increase the education available to immigrant and refugee communities.	Administrative	Economic Development Division	Existing staff time	Short-term, ongoing
Related to Action A1, provide a web-based form for tenants to submit comments on the condition of their housing unit for monitoring trends.	Administrative	Economic Development Division	Existing staff time	Short-term, ongoing

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing ⁹
Action A5: Provide Homeowner Resource Assistance				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Explore avenues to educate and provide resources for prospective homeowners through the City's existing or new partnerships with regional organizations already focused in providing homeownership assistance	Administrative	Housing & Homeless Coordinator or Community partner	Existing staff time	Short-term
Host home ownership seminars and foreclosure assistance and counseling and counseling in partnership with regional organizations.	Administrative	Housing & Homeless Coordinator or Community partner	Existing staff time	Medium-term, ongoing
Host or collaborate with a partner organization to create a homeownership resource webpage for prospective buyers, for distressed homeowners, or for developers seeking information on cooperative ownership housing or community land trust models.	Administrative	Housing & Homeless Coordinator or Community partner	Existing staff time	Long-term
Create a tool-kit for eligible landlords of high-risk properties in need of upgrades to assist with resourcing funds to from a City housing fund or other resources available to housing partners.	Administrative	Housing & Homeless Coordinator or Community partner	0-1.0 FTE to manage program. Program fees, City funds and/or City housing fund	Medium-term, ongoing

Goal B: Increase market-rate and affordable housing supply throughout the city but focused on zones that support multifamily and missing-middle housing types.

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing ⁹
Action B1: Modify the SVMC to encourage production of townhomes and cottages				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Review recommended potential actions and draft regulations to revise the SVMC.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Short-term
Evaluate the potential impacts from displacement of residents in existing NOAH single-family rental homes that may result from regulation modifications and weigh against potential new low-income and moderate-income unit production.	Administrative	Housing & Homeless Coordinator	Existing staff time, Potential for grant funding	Medium-term

⁹ Proposed timing description: Short-term: 1 year, start after plan approval | Medium-term: 2-3 years, completed by 2024 | Long-term: 4-5 years, completed by 2026 | Ongoing

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing ⁹
Consider the potential benefits and resource costs/impacts to implement a relocation fee program. Fee would be paid by developers to the City's housing fund for supporting tenant relocation elsewhere in Spokane Valley.	Administrative/ Legislative	Housing & Homeless Coordinator	Existing staff time to evaluate. 0-1.0 FTE to manage program. Program fees and/or City funds	Medium-term, ongoing
Seek code adoption and related Comprehensive Plan Amendments	Legislative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Action B2: Adopt a MFTE Program				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Map out the process and programmatic implications to develop, adopt, and manage a 12-year MFTE program.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time	Short-term
Study the fiscal impacts and potential benefits associated with increased housing production (market and affordable units).	Administrative	Economic Development Division	Existing staff time	Medium-term
Conduct additional outreach with developers, impacted residents, and other stakeholders to determine the best approach to land use changes.	Administrative	Economic Development Division	Existing staff time	Medium-term
Seek code adoption and related Comprehensive Plan Amendments	Legislative	Economic Development Division, Building & Planning Division	Existing staff time 0.5-1.0 FTE to manage program	Medium-term
Action B3: Create incentives to produce additional market rate and affordable housing				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Study public benefit of potential new affordable and market rate units resulting from the recommended incentives against potential fiscal impacts and household displacement.	Administrative	Economic Development Division & Housing & Homeless Coordinator	Existing staff time, Potential for grant funding	Short-term to medium-term
Evaluate a fee-in-lieu program to access the density bonus in exchange for housing program to support affordable housing development and preservation.	Administrative	Economic Development Division & Housing & Homeless Coordinator	Existing staff time, Potential for grant funding	Short-term to medium-term
Map out the process and programmatic implications to develop, adopt, and manage the incentive program.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Short-term to medium-term
Conduct additional outreach with developers, impacted residents, and other stakeholders to determine the best approach to land use changes.	Administrative	Economic Development Division & Housing & Homeless Coordinator	Existing staff time, Potential for grant funding	Medium-term

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing ⁹
Seek code adoption and related Comprehensive Plan Amendments	Legislative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Action B4: Adopt a Planned Action Ordinance(s) in subareas with transit investment or where large, mixed-use phased developments can be built				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Estimate the resources to develop needed to implement a planned action ordinance and identify potential grants or funding partners such as the STA that may help offset these costs.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Identify potential subareas for a planned action.	Administrative	Economic Development Division	Existing staff time, Potential for grant funding	Medium-term
Coordinate with the STA on its plans for future station areas and discuss the concept of partnering with housing developers to provide affordable housing its surface parking lots in a transit-oriented development.	Administrative	Economic Development Division	Existing staff time, Potential for grant funding	Medium-term to long-term
Conduct SEPA and seek code adoption and related Comprehensive Plan Amendments	Legislative	Economic Development Division, Building & Planning Division	0.25-0.5 FTE to support process, City funded	Long-term

Goal C: Increase housing options and housing choice.

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing ⁹
Action C1: Update regulations for ADUs				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Evaluate the possible impacts from modifying the ADU regulations around parking and ownership requirements.	Administrative	Economic Development Division	Existing staff time, Potential for grant funding	Short-term
Revise ADU development standards in the SVMC.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term

⁹ Proposed timing description: Short-term: 1 year, start after plan approval | Medium-term: 2-3 years, completed by 2024 | Long-term: 4-5 years, completed by 2026 | Ongoing

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing
Eliminate or reduce ADU-related permit fees.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Establish approved ADU models to expedite permitting	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Seek code adoption and related Comprehensive Plan Amendments	Legislative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Action C2: Permit and clarify tiny home regulations				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Review and modify land use and building codes to permit tiny homes in specific zones.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Short-term
Update site plan approval criteria to account for unique site needs of tiny houses informed by input from a focus group or working group of technical experts.	Administrative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Develop material summarizing the rationale and benefits for this housing type.	Administrative	Economic Development Division	Existing staff time, Potential for grant funding	Medium-term
Draft amendments and legislation and seek code adoption and related Comprehensive Plan Amendments.	Legislative	Economic Development Division, Building & Planning Division	Existing staff time, Potential for grant funding	Medium-term
Action C3: Coordinate with existing systems of care for effective homeless services implementation				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Update the Comprehensive Plan to addresses Spokane Valley's intention to supporting transitional housing.	Administrative	Economic Development Division & Housing & Homeless Coordinator	Existing staff time	Short-term
Identify best practices and potential siting requirements for shelters and transitional housing.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term
Actively engage with existing service providers, faith-based organizations and regional bodies to coordinate housing resources.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term, ongoing

Task Description	Type of Action Needed	Implementation Lead/ Partners	Potential Operational Funding and Staff Resources	Proposed Timing
Given Spokane Valley's role in the countywide approach to addressing homelessness, determine if the City should manage its portion of the real estate excise tax fees to support the homeless community in Spokane Valley.	Legislative	Housing & Homeless Coordinator	Existing staff time	Short-term, ongoing
Action C4: Develop a housing fund program				
Household Incomes Targeted:	Low-income (below 60% AMI)	Moderate-income (60-80% AMI)	Middle-income (80-120% AMI)	High-income (above 120% AMI)
Ability to Reduce Displacement:	Low	Moderate	High	
Identify and define the housing fund program including sources of revenue, programmatic priorities, and staffing resources needed to justify its creation.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term
Evaluate the resources needed to staff the program.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term
Ensure that its focus is on supporting the development and preservation of low- to moderate-income households in areas of Spokane Valley that are served by transit or where households are at greater risk for displacement.	Administrative	Housing & Homeless Coordinator	Existing staff time	Short-term
Establish and operate the program, initially with funds from sales and use tax fund for affordable and supportive housing and expand as new funds (taxes, grants, etc.) are accessed.	Legislative, Administrative	Housing & Homeless Coordinator	0.5-0.75 FTE to manage program, City funded	Short-term, ongoing

4.2 Use to Inform Housing Policy and Planning Projects

Recommendations advanced in this HAP likely will inform future planning and zoning implementation projects that include modifications to development standards and allowances as well as area planning efforts. Spokane Valley could develop work plans and identify budget implications for recommendations provided in this HAP as an early step. Additionally, Spokane Valley should leverage near-term planning projects to advance this HAP's recommendations.

4.3 Monitor Implementation Progress

The city should track its progress toward achieving its housing goals by developing a set of indicators to track on a regular basis. Determining the exact indicators and monitoring frequency will require additional research into availability of data and availability of staff time and tracking systems, as well as discussions with city leaders and the community, to ensure that the chosen indicators adequately gauge equitable housing progress. Figure 18 provides examples of potential indicators that Spokane Valley could track.

Figure 18. Potential Indicators for Future Exploration, by HAP Goal

Goals	Potential Indicators	Potential Data Sources
A. Preservation of Affordable Housing and Displacement Mitigation	Number of properties or units acquired by city, county, or nonprofit partner	Community and agency partners
	Share of rent-burdened residents	Census data
	County of households on waiting lists for rent-restricted units	Community and agency partners
	Number of requests the county receives for tenant assistance from the Spokane Valley zip code	Community and agency partners
	People seeking and receiving education and housing support on homeownership or the number of participants using a weatherization program	City, Community and agency partners
	Number of properties or units acquired or developed by city, county, or nonprofit partner	Assessor's data, community or agency partners
B. Increase housing supply	Amount of funding generated for affordable housing.	City, community or agency partners
	Missing-middle housing development and split between ownership and rental	Assessor's data
	The number of housing units produced from MFTE	City
C. Increase housing choice.	Number and type of new homes produced over time—location, tenure, size, sale price/asking rent, accessibility, and unit type	Costar, Assessor's data, Census data, or OFM data
	Number of permitted ADUs and tiny homes	City
	Share of homebuyers receiving assistance (e.g., down payment assistance)	Community partners
	Home purchases by transaction type—cash vs. mortgage by type (conventional, FHA, VA, etc.)	Home Mortgage Disclosure Act

NOTE: Proposed performance measures will require additional discussion to confirm them as well as how to integrate data collection and analysis into ongoing staff workflow. Potential data sources include City of Spokane Valley, Spokane County, HMDA, the ACS, and proprietary sources (e.g., Costar and Property Radar).

