



# **Community Housing Strategies: *Market Innovation, Local Choice***



## **The Housing Partnership**

**November, 2005**

*Made possible, in part, through a contribution from the Washington Association of Realtors*

**This publication was prepared by The Housing Partnership, through a contribution from the Washington Association of Realtors.**

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# Community Housing Strategies: *Market Innovation, Local Choice*

Twenty years ago, a community housing strategy in the state of Washington would have meant addressing housing requirements of low income and special needs populations, and perhaps no more. Today, with a decade of growth management experience, it has become clear that we cannot meet our market-rate housing needs by relying on the *laissez faire* approach of the past.

Reduction in the supply of inexpensive land on the periphery of metropolitan areas and increased reliance on high density and infill have politicized the housing development process as never before. In this environment the housing industry cannot supply enough homes to meet needs of thriving communities. Political problems need political solutions. The Community Housing Strategies process, as outlined in this paper, aims to meet housing needs in a cooperative, but nonetheless explicitly political way.

As with many political problems, the technical aspects are not difficult to resolve. The state is full of excellent examples of higher density, community-friendly housing that was profitable for builders (to see examples, visit the Partnership's on-line catalog of design innovation: [www.rightsizehome.org](http://www.rightsizehome.org)). The strategy process walks through a series of steps to identify which models will work best for a given community. But the technical work is moot without a critical first step: a commitment to an expanded housing supply and improved affordability.

As the Growth Management Act (GMA) has been implemented across the state, and cities and counties have attempted to balance its many goals, the one objective most difficult to meet is housing. The Community Housing Strategy offers a practical way to remedy that.

## ***I. Overview***

### **Context: all politics is local**

Land use law and practice in Washington state give local governments almost exclusive control over what gets built and where it gets built. Cities control zoning and development regulations within their borders, and counties control them for unincorporated areas, while utility districts control hook-ups to water and sewer systems in many areas. Control over land use is a jealously guarded prerogative of local government and is usually its primary reason for existing.

Most urbanized areas began as sections of unincorporated county, in which land developers could carve out large subdivisions and define the land use pattern within broad parameters established by the county. Since few people lived in these areas, there were few objections to the type of neighborhoods developers were creating. But once new residents moved in and began to feel their own sense of ownership of the neighborhood, they cared a great deal about what future developments might look like.

Thus, as areas begin to grow, incorporation movements create new cities with the primary purpose of establishing land use policy that meets the needs and desires of an identifiable community. Not surprisingly, the land use preferences of new cities tend to be exactly the patterns that existed before growth pressures began, and new cities take immediate action to institutionalize that preferred pattern. Then, once a city has established and solidified its overall character, it attracts new residents who, in turn, help protect that character. After all, people move to a community or neighborhood because they like it the way it is when they get there, and they have no intention of changing it. A community may have been defined by a developer in the first place, but it will be maintained with little change over time by its residents.

The phenomenon of strong local land use preferences is evident everywhere, and what is very important to note is the wide variation in those preferences. One community will defend half-acre lots as the minimum necessary to support life, while other communities consider their historic 5,000 square foot lots perfectly adequate. In parts of the Puget Sound area families are happily moving into houses on 2,500 square foot lots. The important point is that each community consists of people who have chosen to be there, and a large part of their decision process involves housing densities. Those who have chosen a community with 2,500 square foot lots are no less adamant about protecting their neighborhood than those who live on a half-acre.

This process of solidifying and protecting local land use patterns worked fine as long as new developments could continue to sprout in unincorporated areas on the edge of the metropolitan area. But the GMA changed all that. Now, with urban growth lines limiting the availability of land on the periphery, homebuilders must look increasingly to infill sites on land in cities and more densely developed parts of the unincorporated areas. That means running up against the concerns of current residents about new development in general, and about development that may depart from established patterns. Those concerns will be transmitted very quickly to city councils.

When it wrote the GMA, the Legislature seems to have been unaware of the political problem it was creating. But when the time came for cities to adopt comprehensive plans, local city councils were not very excited about meeting the Act's requirements to accommodate infill development and higher densities. Most councilmembers would, in fact, feel they were elected to do exactly the opposite. Of the people who had voted for them in the last election, most already own a home in the community, and it is doubtful that the renters of the city could amass enough political muscle to move the election in a pro-housing direction.

The GMA had placed a new requirement on local governments that they accept a share of regional growth, but city councils, by political necessity, tend to see their responsibility as responding to their own city constituents, and not to regional needs. The majority of local elected officials are themselves homeowners, and the majority of voters also own their homes. The degree to which city councils feel an explicit responsibility to protect property values can be argued, but there is no question that councils feel a clear responsibility to protect the character of the communities in which they and their constituents have invested. There is no parallel political force to compel local councilmembers to think regionally. Since housing is a regional need, it is difficult to find a natural political constituency for it, except perhaps in the larger cities where current renters could expect to become owners.

Faced with the dilemma of fulfilling state-mandated housing targets with little local political support to do so, many cities found a convenient way out. They could preserve the zoning in their existing single family neighborhoods by planning for higher density development in "urban centers," which are mostly older commercial areas where few people are affected by new residential development. This proved a very good political strategy, but of limited effectiveness as a housing strategy. It turns out that the market for the types of housing contemplated for urban centers is still not huge, and confined mostly to higher income areas. So while there have been some notable successes, most urban centers have not seen significant residential development.

It has become quite clear that if the urbanized areas of the state are going to meet their housing needs within the context of the GMA, cities are going to have to begin backing off from existing low density zoning in their neighborhoods and allowing new types of housing that employ innovative development patterns at higher densities. And they will have to do this with little infrastructure help from the state, which has never fulfilled the implied promise of the GMA that the state would help fund roads, sewers and other needs of areas accepting a higher share of growth.

Accommodating infill development in this political and funding environment will require a new strategy to develop community acceptance of change in the face of resistance to it. Because local residents feel such strong ownership of the development patterns prevailing in their communities, they must be a central part of defining any changes to those development patterns.

## **The balancing act**

The ultimate goal of the Community Housing Strategy is to foster public policies in individual cities that will result in increased housing innovation and production and enhanced affordability. At all times, the strategy process must balance two objectives.

**Market feasibility.** The strategy must create policies that are attractive to the mainstream of the housing industry and will lead builders to adjust the types of homes they feel comfortable producing. The vast majority of homes are built by small builders who have enough difficulty managing the unavoidable risks of the business without taking on major new ones.

This suggests two things about new housing policies. First, they must allow builders currently active in the market to adjust their product mix incrementally so they are not being asked to go too far out on a limb. Second, policies should be able to attract builders from other markets who have experience with the kinds of products being promoted. Market pioneers are often builders from outside the area who have already adjusted their business model to new products.

This is not about cutting edge design, niche markets or boutique builders. New housing policies will only be successful if they apply to the average builder in a market who can see new ways to operate successfully in the future.

**Community acceptance.** Policies must be acceptable to a broad segment of the community. It is not necessary to gain absolute consensus, but councilmembers must feel comfortable adopting policies without undue fear for their political future. Moreover, builders must feel confident that they can build projects under the new policies without running into a handful of individuals who can stall their permits, resulting in costly delays.

Community acceptance begins with adoption of policies that allow new types of housing that truly reflect local values and do not stretch the envelope too far. The challenge comes in writing policies and regulations that are clear enough that they will have a high likelihood of producing the desired result, but not so prescriptive that they tie builders in knots. Not every outcome can be legislated, and communities must accept some risk that not every project will be a total aesthetic success. However, early developer/neighborhood dialogue can help ensure that projects have a high level of community acceptance.

The balancing of market feasibility and community acceptance must acknowledge one key factor: builders ultimately decide what, if anything, gets built. Innovation only moves into the mainstream of a business when the innovative option is a better business proposition than the more conventional option. In homebuilding, if regulations make innovative housing too cumbersome to develop, builders will simply continue to build what they are accustomed to building, and opportunities to use scarce land more efficiently will be lost.

## **Features of a community housing strategy**

The Community Housing Strategy process developed by The Housing Partnership attempts to strike the crucial balance between market feasibility and community acceptance of innovative housing. The program is built around a number of key features.

**Sub-area emphasis.** Research, input and recommendations will be based on discrete subareas with relatively homogenous market characteristics. This may be a neighborhood of a larger city, an entire mid-sized city or a combination of two or more smaller cities or unincorporated areas. The important part of identifying an area for the program is to find geographic, demographic and market characteristics that hold throughout, whether or not they conform to political boundaries.

**Partnerships.** The complexity of the development environment will require new and expanded partnerships. It will be very difficult to strike the balance between market economics and community acceptance with traditional arms-length relationships. An innovative development environment requires flexibility and adaptability, and those, in turn, require relationships of trust, based on shared objectives.

**Broad support without requiring total consensus.** Formal political processes, such as elections or city council decisions, usually require only a simple majority to fill offices and make policy, and the results of these processes often leave large numbers of voters on the losing end. Informal political processes, in contrast, tend to avoid conflict and seek a much higher level of consensus. The Community Housing Strategy accepts the fact that some participants will be in strong disagreement with the outcomes.

The strategy process needs to begin with a shared understanding and acceptance of the objectives: housing innovation and production. Acceptance of this common objective may be the most difficult part of the process, but success is predicated on it. Once the objective is established, everyone should be invited into the tent. But it should be clear that those who only seek to pull the tent down are not encouraged to stay.

**Focus on demand.** Strategies will be intended to meet projected needs for housing types, based on job growth and other identifiable economic and demographic trends. Current consumer preferences will be acknowledged, but with the understanding that because new, innovative types of housing may not be well-known, consumers may not be aware of their choices. Emphasis should be placed on meeting functional housing needs in innovative ways known to attract consumer interest in other markets.

In many areas the demand-side focus will conflict with the supply-side approach taken in comprehensive plans. But after a decade, the extent to which the housing types supported in comprehensive plans are meeting consumer needs should be clear. Housing types identified in the strategy process should be consistent with the goals of the comprehensive plan, but also be tied to identifiable demand.

**Cover the whole market.** Housing markets are best described as a continuum, from the lowest cost subsidized housing to the heights of luxury. Demand moves fluidly within that continuum, so that a surplus or shortage of one type of product will affect demand for other types. Therefore, the strategy process looks at most of that continuum (with the exception of the very upper end, which does not need too much attention) so that demand can be satisfied at all price points.

One area of housing policy that will be covered somewhat less is the availability of subsidies for low income and special needs housing. Housing for those populations will be addressed to the extent that it faces the same zoning and regulatory barriers as market rate housing. The particular financing needs of non-profit housing are mostly the province of federal, state and philanthropic sources, and therefore less the purview of local governments.

**New information.** The best way to move a discussion off-center is to provide new information that recasts the issue at hand. The Community Housing strategy is built on a foundation of new, highly credible information that provides the basis for sound decision-making. New information about markets and demographic trends helps identify product types that will be appropriate for a market,

even if they have never been tried there. New public opinion data identifies the underlying concerns that drive objections to new housing types. Opinion research also taps the views of a broader segment of the public than that which typically gets involved in public processes.

**Local leadership and participation.** The process must be driven by key elements of the government, business and civic communities. Outside facilitators provide information and help manage processes, but local leaders set expectations, establish priorities and work closely with one another, actions which the Community Housing Strategies process is designed to encourage and support. It is important that leadership be shared by public and private sector participants.

**Mid-term time horizon.** The strategy is not designed to produce results in the very near term, since policy changes take time to enact and builders take time to assess new market possibilities. At the same time, for the strategy to be credible, there must be a clear path to the desired outcomes. Moreover, market projections become less reliable as timeframes lengthen. Given these limitations, the strategy should aim to enable communities to meet identifiable housing needs in a three- to ten-year time horizon.

## ***II. Getting Started***

### **Assembling leadership**

As noted in the overview, most of the leadership of a community will be biased toward existing patterns of housing and development. To foster change and introduce new development patterns and forms of housing will require cooperation and participation from across the community. The strategy process begins by securing support from key segments of community leadership.

**City council.** Since the council will need to enact any new policies, it needs to be on board from the start. Not every councilmember may agree to participate, but without a majority of councilmembers supporting the strategy process, it will struggle to achieve results.

**Mayor/city manager.** The chief executive of a city controls the resources of city departments that will be needed during the strategy process. The strategy process will require time from analysts in planning, public works and other city departments, as well as legal and other technical advice. A supportive executive will more likely make these resources available.

**City departments.** Departments such as planning, permitting, public works and fire are key for two reasons. First, they need to provide information to the strategy process and keep other participants informed about the current status of housing, land use, infrastructure and regulations. Second, these departments will be in charge of implementing new programs, so the greater buy-in from them, the better chance they will enthusiastically support new directions.

**Homebuilding industry.** Most homebuilders, particularly those working in infill locations, are relatively small businesses that operate in just a few jurisdictions. They have the key local knowledge of the environment for their business, and they are the ones that will be urged to alter their business model to embrace new housing types. The strategy process needs to gain their involvement and utilize their hands on expertise while respecting the scarcity of the time they can commit.

**Real estate industry.** Those who sell homes have the best current knowledge of what is being sought in a particular community. Realtors tend to work in specific market areas and will have up-to-date knowledge of for what needs are not being met and what new types of housing might meet

those needs. Like builders, Realtors will not have extensive amounts of time to devote to meetings, so the process must create efficient ways for them to participate.

**Business community.** Because the availability and affordability of housing has an impact on the health of the business environment, the local business community should be providing leadership to the overall effort. This leadership can be channeled through chambers of commerce, downtown associations or economic development agencies.

**Community and human service organizations.** Non-profit groups that provide services locally to various populations – low income, disabled, seniors – have key insights into the housing situations faced by the most vulnerable groups.

**Neighborhood organizations.** Many neighborhood organizations have their origins in efforts to stop developments. While many will remain classic NIMBY organizations, some may be willing to participate in a process that acknowledges their interests and concerns. These groups will enter the process eventually, so it is often better to gain their participation from the beginning. The key is to have an honest discussion about whether they can share the goals of increased housing supply and whether they are willing to entertain the solutions that are on the table or provide others not previously contemplated.

Once these groups have been contacted and their participation secured, representatives can be asked to join a Steering Committee that will direct the project. In the spirit of shared leadership. The Steering Committee should have co-chairs from the city council and the business community.

## **Setting goals: a commitment to housing**

To provide a useful outcome, the strategy process requires a commitment of all participants to the common goal of increased housing production and improved affordability. It also requires a commitment to embrace change.

In most areas, increasing production and improving affordability will require changes to some basic land use and development policies and regulations that may be long-standing. Most areas that fall under the GMA have experienced demand pressures in recent years, along with price increases. The housing industry is very demand-responsive, so if new supply is not keeping up with growing demand, something needs fixing. The strategy process must begin with a commitment to finding out just what needs fixing and to mustering the political support to implement the fixes.

The first step in undertaking the strategy process, then, is to secure a commitment from all participants to keep a broad range of solutions on the table for consideration. The market and opinion research will likely turn up information that flies in the face of current plans and business practices, but all participants must agree to work with research findings in good faith. Participants must also commit to focusing on solutions that are most realistic. There is still room for long-term, transformative plans, but the strategy must work toward actions with a high likelihood of generating new housing in a medium-term timeframe.

Part of the goal-setting process must be mutual acceptance of the objectives and constraints under which participants operate. The fundamental balancing act – commercial success and community acceptance – reflects very real constraints of the participants, and it is unreasonable to pretend these do not exist. To put it most plainly, builders want to earn a living and elected officials want to fulfill their responsibilities to the people who put them in office. While there will always be exceptions, goals for the strategy should assume from the outset that builders will not undertake non-economic projects and elected officials will not commit political suicide. Underlying objectives of the participants will be bent, but cannot be broken.

The process should set numerical goals – new units, prices – but maintain flexibility. Housing markets in most communities react to larger forces in a region, so it is difficult to predict exactly what will get built, and when. At the sub-area level, the most important achievements to monitor are overall housing production and the introduction of new housing types. Only time and experience will tell whether a specific new type of housing will work in a given community, and, conversely, whether types not initially favored in the strategy process may later prove attractive

### III. The Three-Track Process

Once the Steering Committee is in place, and has agreed to a set of goals, the work can begin. The strategy will be developed along three tracks, with these culminating in a subarea summit that produces the first draft of the strategy. As seen in Figure 1, the tracks are distinct but sequential. Outcomes of the market study inform both the selection of options and the testing of community support. The housing options from the second track will be tested for acceptability in the third track.

#### A. Assessment of housing needs

Since the overall objective of the strategy is to meet housing needs, the first step is to project what those housing needs might be. A market study, conducted by a residential real estate market research firm, will base projections on a number of key factors:

**Current housing supply and characteristics.** Most of the housing that will be available in the community in the future already exists. The current housing stock, at its current price levels, will meet the needs of many future residents, but will not meet all future needs in terms of housing types, prices and quantity. Examining the existing housing stock points to the segments of demand that will not be met in the future.

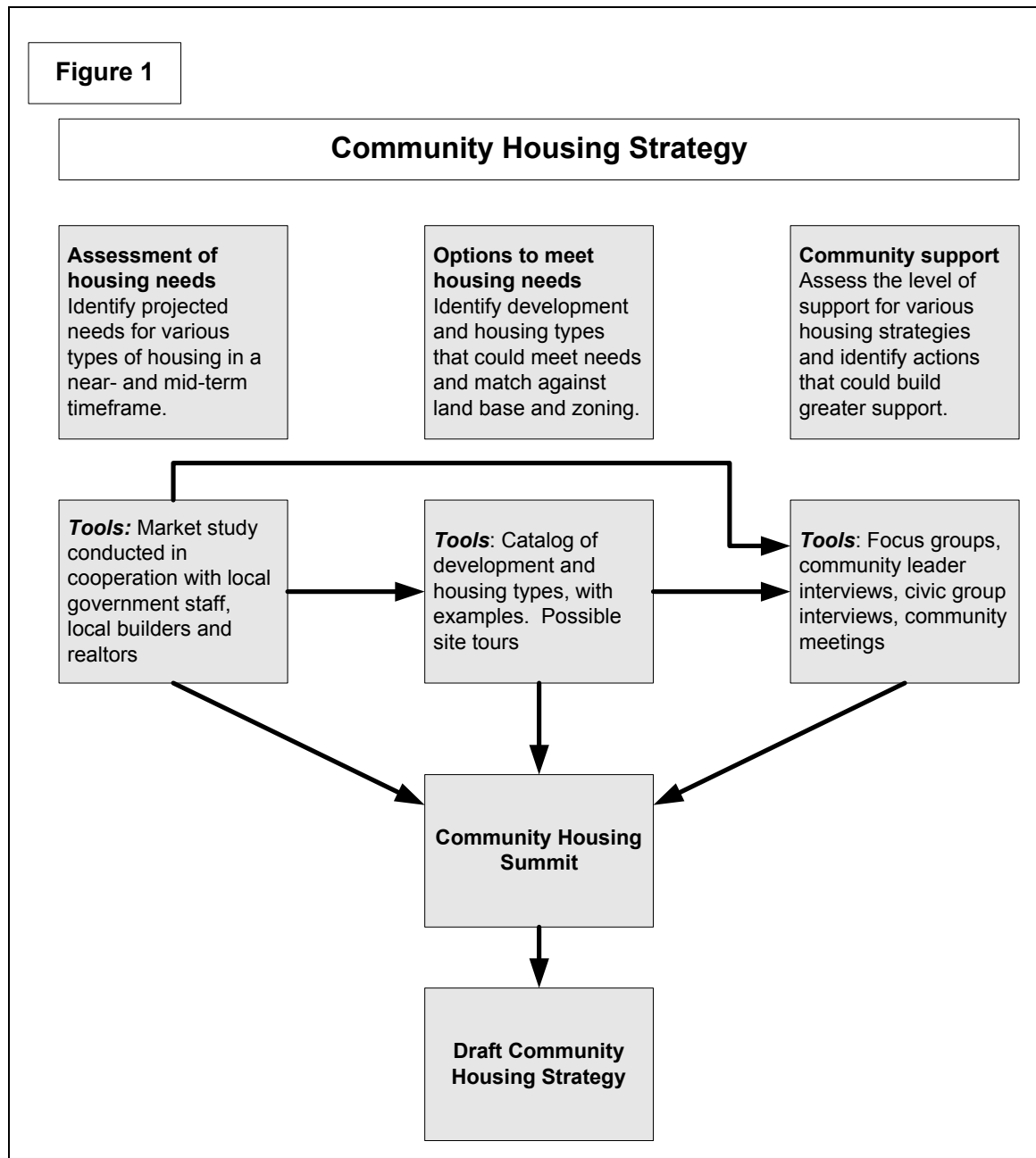
The market for existing housing has a direct bearing on construction of new homes. Resale housing defines the overall housing market that builders of new construction housing must operate within, with resale prices constraining what can be charged for new homes. Buyers will pay some premium for new construction, but if that premium gets too high, demand will shift back to resales.

**Price trends.** Sales prices and rents for new construction and resale housing indicate the price points and types of housing that will be feasible in the future. Steep price increases, as have been seen in much of the state over the past few years, make higher density entry-level homes more feasible. Strong resale prices also provide incentives for empty-nesters and seniors to “cash out” of their larger homes and use their equity to move into alternative housing types.

**New housing in the pipeline.** Complex projects can take five years or more to come on-line, so large subdivisions, masterplanned communities or phased-in multi-family complexes that are just entering the pipeline will play a role in housing supply during the ten-year time horizon of the strategy. The pipeline should also include large developments outside of the study area that may influence markets within the study area.

**Anticipated demographic changes.** Like the housing stock, much of the future population of a community is already living there. A large part of future demographics can be anticipated simply by assuming the aging of the current population. Within the ten-year time horizon of the plan, a certain number of households will form, have children, become empty-nesters and retire. Some households will combine, while others will split. These life changes all point to changing needs for housing, and since a substantial portion of those going through life changes will want to stay in the community, demand for housing will change with demographics.

**Figure 1**



Perhaps the most important demographic change that must be tracked in any area is the growth in the population of empty-nesters and senior citizens who may be looking for alternatives to their current detached homes. Demand from this population group spreads across a wide range of housing types, and many downsizers prefer to stay in their neighborhood if they can find housing that meets their needs.\

**Job growth.** The most reliable predictor of housing demand is job growth: a home is where a job goes at night. Job growth can be very difficult to forecast, but within the ten year timeframe of the strategy, some things can be predicted. A new factory or other large employer will likely remain stable for ten years, as will public institutions. Characteristics of employers can also provide a clue to housing demand. For example, high tech companies will tend to attract younger workers with children, while call centers often provide second jobs that allow households to enter the move-up market.

Job growth needs to be examined on a regional basis, especially in markets offering moderately-priced detached and semi-detached housing. Many people are willing to commute long distances for the opportunity to own a home, so jobs being created 10, 20 or even 30 miles away can create demand in an affordable market.

**Incomes.** An objective of the strategy is to offer current residents the opportunity to move to housing that better suit their lifestyles. But to know what types of housing might work, it is essential to know what incomes can support. For example, higher income empty-nesters may opt for a high-rise condominium, while moderate income empty-nesters may opt for a townhouse.

**Preferences.** As noted, a community tends to attract residents who prefer the lifestyles offered by that community. Those preference can change over time – indeed the strategy assumes that they will – but they do form the starting point for any discussion of housing demand. Land use and housing preferences are a reflection of underlying values and interests, and it is essential to understand those values and interests to determine how they can be met by alternative forms of housing.

The market study will provide guidance about demand that can be expected in the study area for various housing types. The tables below show rough parameters for housing types

**Table 1: for sale housing**

	<b>Unit size</b>	<b>Lot size/density</b>	<b>Demographic/market</b>
Large lot single family	2,000 to 3,000 sf. 3-4 bedrooms 2-3 bath	6,000 sf to 10,000 sf	Families Move-up buyers
Small lot single family	1,500 to 2,500 sf 3-4 bedrooms 2-3 baths	3,000 sf to 5,000 sf	Families First-time buyers Move-down buyers Empty-nesters Retirees
Townhouse, duplex, triplex	1,000 to 2,000 sf 2-3 bedrooms 2 baths	2,000 to 4,000 sf	First-time buyers Move-down buyers Empty-nesters Singles
Cottage cluster	600 to 1,200 sf 1-2 bedrooms 1-2 baths	1,200 sf to 5,000 sf	Singles Couples Empty-nesters Retirees Move-down buyers
6-pack/8-pack condominium (Units on single floor, direct-entry parking)	1,000 to 1,500 sf 2-3 bedrooms 2 baths	15 to 25 du/acre net	First-time buyers Move-down buyers Empty-nesters Retirees
Garden-style condominium (walk-up, surface parking)	700 to 1,500 sf 1-3 bedroom 1-3 bath	15 to 25 du/acre	First-time buyers Singles Couples Moderate income families
Mid-rise condominium (stacked flat, underground parking)	500 to 1000 sf Studio – 2 bedroom 1-2 bath	50 to 100 du/acre	Singles Couples Young professional
High-rise condominium	800 to 2,500 sf 1-2 bedroom 1-3 bath	100 du/acre and up	Singles Couples Retirees Move-down buyers

**Table 2: rental housing**

	<b>Unit size</b>	<b>Lot size/density</b>	<b>Demographic</b>
Garden-style apartment (walk-up, surface parking)	700 to 1,500 sf 1-3 bedroom 1-2 bath	15 to 25 du/acre	Singles Couples Low income families
Mid-rise apartment (stacked flat, underground parking)	500 to 1000 sf Studio – 2 bedroom 1-2 bath	50 to 100 du/acre	Singles Couples Young professional Transient professionals
High-rise apartment	800 to 2,500 sf 1-2 bedroom 1-2 bath	100 du/acre and up	Singles Couples Retirees Transient professionals

An important part of the market study is to determine which types of housing that are currently not common in a community could meet future needs. For example, small lot detached housing can become an option for first-time buyers who cannot afford homes on larger-lots, and 6-pack condominiums can be an option for seniors who would like to avoid stairs.

The market study also needs to put price ranges on the various housing types. Some types, such as townhouses, can be built in a wide range of prices, with builders adding features and amenities as prices increase. Other types are confined to more narrow price points: garden-style housing tends to be inexpensive, while high-rise housing is very expensive. The study should identify which price points will be appropriate for the different housing types. Prices can move unpredictably during a ten ;year period, but price ranges should be set at least at the beginning of the study period.

When looking at higher density housing it is important to note two different market motivations: price and lifestyle. Some options, such as small lot housing, are attractive primarily on price: buyers might prefer a larger lot, but cannot pay the higher price that large lots housing commands. Other options, such as cottage clusters and urban center mid-rises, are aimed at people attracted to the lifestyle of the neighborhood. The market study should indicate the degree to which an area slated for higher density development will tend to attract lifestyle versus price conscious buyers and renters.

Finally, although the market study itself may not cover the topic, there should be an assessment of shortages of housing for various special needs. Local human service agencies can determine the need for housing to accommodate low income seniors, disabled people and other who fall outside the market.

**Product:** This step in the process produces a market study that estimates near-term and mid-term housing demand for the sub-area market. It breaks that demand down by housing type and price point. This report informs the second and third tracks of the process.

## **B. Options to meet housing needs**

The market study provides an estimate of housing needs, and now it is time to figure out how to meet that demand, given the land base, current zoning and infrastructure. This process looks for ways to meet demand that are both innovative and have a high likelihood of community acceptance.

Over the past 20 years or so, innovative housing developments have been built across the state, providing good examples of alternative ways to meet demand. New generations of homebuyers, faced with high prices and long commutes or seeking different lifestyles, have embraced new types

of housing and neighborhood development. Builders, in turn, have learned what works for various market segments and have adjusted their products to more closely fit demand patterns.

The Housing Partnership has developed a catalog of innovative housing designs, illustrated with good examples from various parts of the state. This catalog, called *The Right Size Home*, was intended to be an integral part of the Community Housing Strategy process, providing a starting point in the search for new ways to meet housing demand. Following are the descriptions of innovative housing from the catalog. Appendix A provides some examples. (the rest of the examples can be found at [www.rightsizehome.org](http://www.rightsizehome.org))

**Table 3: innovative housing types**

<b>Cottage cluster</b>	Cottage clusters typically feature between four and twelve units, often less than 1,000 square feet, but rarely larger than 1,200 square feet. The units are built around common open space, with minimal private yards. Most have parking in separate areas or structures near the entrance, in order to minimize space taken up by driveways.
<b>Cottages with Carriage Units</b>	Some cottage cluster projects build carriage units over the separate, detached garages, to take advantage of the airspace above these structures. Carriage houses are typically between two and four attached units.
<b>Small lot detached</b>	When the lot size of subdivisions falls below about 5000 square feet, the development should become qualitatively different. The planning of the site, the design of streets, sidewalks and parks, and the design of the homes themselves all must adapt to the more compact layout.
<b>Detached accessory</b>	These small apartments are often built over detached garages, but are sometimes stand-alone cottages. Under the GMA, larger jurisdictions must allow accessory housing, but only some jurisdictions allow those units to be detached from the primary residence.
<b>Small multiplex</b>	The strict separation between single family housing and multi-family can be overcome by permitting small multiplexes with a design and scale that allows them to fit into neighborhoods.
<b>Adaptive reuse</b>	Old commercial buildings that can no longer serve their original purpose can be adapted to accommodate housing.
<b>Townhouse</b>	Townhouses, while not a new or unusual concept, have become the workhorses of urban infill and affordability. The challenge is developing designs with attractive street fronts that do not overwhelm their surroundings.
<b>Auto court</b>	In compact developments where parking is attached to the units, an auto court presents an attractive street front and saves paved space by clustering garage entrances around a central court.

Tables 1 and 2 shows that some of these housing types will be covered in the market analysis. But it is very important to be clear on the distinction between a market concept and a design/planning concept. For example, the market study will identify demand for townhouses, but there are many variations on this basic market type and a whole set of regulatory and zoning issues that will determine what sort of townhouses get built. Similarly, small lot subdivisions can involve a wide range of planning considerations – street design, open space, setbacks – that would not be part of the market study process. Market studies tend to be limited to products that are already familiar. People do not express preferences for things they do not know, especially in housing markets where buyers want to make sure their investment is a mainstream product that will re-sell easily if necessary.

Experience has shown, however, that buyers will invest in innovative housing types that meet their needs and are high quality if presented with the option. So the purpose of the second step in the strategy process is to identify innovative products that will meet the demand expressed in the market study while, at the same time, providing good community fit.

*The Right Size Home* provides a starting point. Each of the examples in that catalog has been successful in its own specific market, so it is critical to understand the differences between its market and the market under consideration in the strategy process. Some examples will translate well, while others will not be applicable. For example, a small-lot project like Greenbrier, in Woodinville, could work in a variety of moderate-priced markets, whereas an adaptive re-use project like the Bridge Condominiums in Tacoma only works in a funky urban setting.

The market study discussion above noted the crucial distinction between the lifestyle motivation and the price motivation in choosing higher density housing. It is worth expanding on this distinction at this point, since it has a direct bearing on the housing models that might be considered.

**Lifestyle motivation.** Those choosing higher density housing for lifestyle reasons have deliberately traded off the size of the unit and the land underneath it for various lifestyle-enhancing features and amenities. The trade-offs may be things they want to avoid (landscape maintenance, exterior building maintenance, “boomerang children”) or things they want to find (coffee and dining within walking distance, parks, public transit, neighborly interaction). But the important thing is that those motivated by lifestyle have deliberately turned away from low density settings, and frequently pay as much to live in high density settings as they would in low density neighborhoods.

Although higher density housing aimed at the lifestyle market can be found in a variety of settings and types, it will be driven by some collection of amenities. The strategy process needs to be realistic about the degree to which those amenities can be provided in sufficient quantity and quality to attract lifestyle buyers and renters.

**Price motivation.** As land prices and development costs have increased, the price of finished lots has increased. High finished lot cost, in turn, drive up the cost of finished houses. So, the only way to keep housing affordable is to keep lot costs down by shrinking land and infrastructure costs per unit. Higher cost areas of the state have seen a trend toward the shrinking of lots for entry-level housing, all the way down to very small lots underneath fee-simple townhouses. The houses themselves, while small, offer the standard features of their large-lot cousins.

The trade-off among the price-conscious buyer or renter is between quantity of space and length of commute. They will give up certain things – bonus rooms, back yards, side yards – but will not trade off other things, such as privacy and parking. They will also demand quality community open space and safe streets in exchange for losing their own private space. As commutes worsen and new products come onto the market, the nature of the trade-offs being made by cost-conscious consumers is shifting, and the strategy process needs to keep a close eye on trends.

An illustration of the difference between the lifestyle and price motivations is found in the distinction between two types of higher density detached housing: cottage housing (lifestyle driven) and small lot subdivisions (price driven). Cottage homes are typically small spaces with high quality finishes, set in elaborately landscaped clusters that encourage social interaction. The prices of cottages, on a per-square-foot basis, is usually quite high. In contrast, small lot subdivisions attempt to get the most house for the money, with at least three bedrooms and a two-car garage, recognizing that the buyer would prefer everything larger if they could afford it. In other words, the cottage buyer trades off quantity of space for quality of space, whereas the small lot buyer trades off quantity of space for price and commute time.

Once a collection of suitable and feasible housing types has been identified, the models need to be tested against current zoning and development regulations to determine the extent to which they can be built in the jurisdiction. Data from GIS systems will show how much suitably-zoned land is currently vacant or redevelopable. City development processes should be reviewed to present a menu of options for overcoming regulatory barriers (e.g. PUDs, incentive bonuses, contract rezones).

The result of the options process will be a “wish list” of housing types that would creatively meet the needs identified in the market study but that are currently not allowed or allowed only under very limited circumstances. This list of housing types is accompanied by a set of options for overcoming zoning and regulatory barriers.

**Product:** A customized catalog of innovative housing that is appropriate to the market and will meet needs identified in the market study, along with a review of regulatory issues applicable to each identified housing type.

### C. Community Support

The discussion of context at the beginning of this report suggests that community support for new and innovative housing will initially be limited, since there is little natural constituency for new market rate housing within a city. Few people likely to be active in community affairs need housing for themselves, and they may look with suspicion on deliberate efforts to expand housing, especially at higher densities. Nonetheless, if the strategy is to get further than the wishes of the Steering Committee, it must be embraced by enough of the community that elected officials will feel safe enacting zoning, regulatory and infrastructure changes needed to implement it.

The community support section of the strategy is based on an approach to public input that differs substantially from standard practice in most local governments. It is grounded in two basic principles:

**Avoid self-selection bias.** Most public input processes are built around meetings at which interested citizens testify before a decision-making body. While such meetings are an essential part of democratic processes, they are one of the worst ways to gather information about the views of the community at-large. The vast majority of people who take time out of their lives to attend and testify at open meetings are either interest group representatives or individuals with a particular axe to grind. This “self-selection bias” makes it impossible to meaningfully extrapolate the views heard at a public meeting into a reliable indication of broad public opinion. And because those who testify often have very localized concerns, public meetings rarely shed light on large overarching issues. It is therefore critical to reach out to citizens who do not normally participate in local public policy.

**Address underlying values.** Objections to changes in land use, or any other significant feature of a local government, are rooted in larger concerns about the future of the community. As noted at the beginning, most cities consist of like-minded people who have chosen to live in that community because they appreciate its character. New housing developments can become the target of objections simply because their impacts are unknown. The community support process needs to probe deeper into underlying values to get a better sense of how a new housing type will fit with those values. Community character is more than just zoning and regulation, and the strategy process needs to identify key components of that character..

Community support can be assessed using a variety of qualitative research techniques. These include:

**Focus groups.** The term “focus group” is often applied to any group interview. True focus groups, however, have several key features that allow them to gather important information. First, the participants must be recruited “blindly,” meaning that they do not know the subject of the meeting when they arrive. Recruiting is best done by a professional research service. Second, participants should be compensated, so the pool of participants consists of more than just curious people who have nothing better to do. Third, people with too much knowledge or experience should be screened out, so they do not dominate the session and intimidate other participants with their superior knowledge. Fourth, wide ranging discussion among the participants is encouraged and, time

permitting, participants should be allowed to wander off the topic. Fifth, the moderator should be a neutral individual skilled in group interview techniques.

Formal focus groups are necessary to get a good sense of underlying values before any discussion of housing or development begins. It is customary to begin issue-oriented focus groups with a discussion of major problems facing the community or region. The issues most likely to come up – transportation, growth, schools, environmental quality, crime – all have a bearing on housing, and a skilled moderator can steer the session in useful directions with the participants not yet knowing they are contributing to a discussion of housing.

Once the opening “top-of-mind” discussion winds down, topics of growth and housing can gradually be introduced, with the session narrowing toward evaluation of specific housing models. At this point, the merits of particular housing types can be measured against the views expressed earlier in the session about community issues. The result of this process is a more nuanced view of housing and various housing types and how they might fit into the community.

Focus groups are expensive to conduct, and usually two sessions within the same population group will suffice. The information received from formal focus groups can be used to inform the rest of the community involvement process.

**Community leader interviews.** These are, in many ways, the opposite of focus groups. Individuals with prominent roles in the community are interviewed to get their sense of where housing fits within the community agenda and the degree to which new housing types will be embraced. These interviews need not be conducted blindly, and can be done individually or in small groups. The important thing is to include people who are civically involved, but not direct participants in the housing industry. The interviews should include a good mix of public sector (both elected and appointed) and private sector (both for-profit and not-for-profit) representatives.

**Community group discussions.** Every community has groups of citizens who meet regularly for a variety of reasons. These groups include service clubs, chambers of commerce, civic leagues etc. It may be possible to get on their agenda for both a presentation on housing issues and to gather input via a short survey. Because these sessions cannot be conducted blindly, and because the participants are, to some extent, self-selected, the data is not highly reliable, but general trends can be seen in responses, and those are important. Moreover, the simple act of appearing before a group of involved citizens and asking their opinions, sends a powerful signal that the strategy process is interested in a wide range of views.

**Open meetings.** Although, as noted, open meetings are not a source of reliable data, they are a necessary part of the process. Successful public meetings should feature new information, so that participants have something to react to. To the greatest extent possible, discussion should be two-way and facilitated, so that participants have a chance to be part of the solution, and not simply comment on suggestions being generated by the strategy.

All of these interviews and input sessions are informed by the research done in the first two tracks of the strategy process. Participants are presented with data from the market study to see how they react to projections about the future of their community and its housing needs. The housing types that are found to be feasible in the local market are presented to get reactions to various models.

**Product:** A report on the findings of various interviews and discussions. The report should have a ranking of housing types by their relative acceptability to the community.

## ***Housing Summit***

The information gathered as part of the three tracks – market assessment, options for housing types, community support – feed into a housing summit that brings together all stakeholders. The purpose of the summit is to review the current status of housing in the community and its market potential, to understand the options for new housing, and to discuss a strategy to build broad support for new housing.

It must be emphasized that the goal of the summit is the same as that of the whole strategy process: increased housing production and improved affordability. All participants must understand that the question is not whether the community will change and grow, but how change and growth can best be accommodated. The summit seeks the crucial balance between housing economics and community acceptance, and inaction is not an option.

The Steering Committee can design the summit agenda in a variety of ways, but whatever format is used, it must emphasize interaction and discussion, followed by conclusion. The output of the summit should be the outline of the community housing strategy that endorses specific housing types and the regulatory changes needed to encourage them.

All elements of the strategy need to be supported by the data gathered during the three phases of the strategy process. In other words, proposed changes to housing policies must reflect identified market trends and be consistent with community character. Representatives of the housing industry should say whether a particular housing model or regulatory change would be of interest to them and their colleagues, and local elected officials should say whether they would be inclined to vote in favor of allowing that model or regulatory change. If a proposed element cannot get a positive reaction on those tests, it does not merit inclusion in the draft strategy.

## ***Timeline, budget and resources***

The strategy process should take from six to eight months from the first convening of the steering committee, with total cash costs of between \$13,000 and \$17,000. It will also require staff resources which can be contributed by local governments and civic organizations. Following is a rough outline of the process.

Although it might be tempting to save money on the market study and focus groups, the integrity of the whole process depends on high quality, new information that can move old debates off-center. Using outside resources to bring new facts and analysis to bear on local issues increases the likelihood that new solutions will emerge from the process.

As important as budget for outside expertise will be dedication of staff resources. The Steering Committee should appoint a staff group, with representatives from local governments, industry groups and civic groups, to oversee the day-to-day process and do analysis that can be done in-house.

The Housing Partnership and its staff are available to help coordinate and facilitate the Community Housing Strategy. For more information about using the Partnership as a resource, please contact Michael Luis at 425-453-5123 or [mluis@seanet.com](mailto:mluis@seanet.com).

**Table 4: timeline and budget**

<b>Element</b>	<b>Timeline</b>	<b>Cost</b>	<b>Staff role</b>
Assessment of housing needs	8 weeks	\$6,000 to \$10,000 for market study	Work with market research consultant to define parameters of the study and provide background information.
Options to meet housing needs	8 weeks	Nominal	Begin with The Right Size Home. Narrow the range of options, based on market study. Identify zoning and regulatory issues raised by preferred options.
Community support	8 weeks	\$6,000 to \$8,000 for focus groups	Work with opinion research consultant on design of focus group interview formats. Conduct community leader, civic group and public meetings.
Summit	3 weeks	\$1,000 for facilitator fee and refreshments	Design summit agenda. Recruit participants. Produce input materials
Strategy	4 weeks	Nominal	Draft strategy, circulate for comments, draft final. This function could also be contracted out if staff is not available.

## ***Conclusion: will it work?***

Housing strategies suffer from one great weakness: those who implement the strategy – homebuilders – are private businesspeople who cannot be compelled to do what the strategy calls for. This has never been a big problem since until recently builders could build what they wanted, wherever they wanted. But growth management has swung the pendulum too far in the other direction, planning for housing often with insufficient understanding of whether builders might want to build it. The Community Housing Strategy aims to bring the pendulum back toward the center, creating an environment that works for both homebuilders and communities.

The theory behind the strategy process is very simple: figure out what works in the market and fits with the community, and let builders build it. But as is noted throughout this report, the fundamental precondition for success is the willingness of communities to embrace growth and change that are consistent with market demand. The GMA does not require this, and many communities have found ways to avoid actions that threaten change. So the challenge for the Community Housing Strategy, and the key to its success, is to get the leadership and citizens of the community to see new and innovative housing as an important part of their future. With that commitment, everything else will fall into place.