

City of Wenatchee

# Wenatchee Housing Market Study



January 31, 2024





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# Executive Summary

This report, prepared by [BERK Consulting](#), includes a detailed analysis of housing market conditions and housing needs in the Wenatchee Urban Area.<sup>1</sup> It also identifies several barriers to new housing production and actions the City can take to address them.

## Housing Needs in Wenatchee

Housing affordability is an urgent challenge for many households in Wenatchee. Under the definitions of the US Department of Housing and Urban Development (HUD), a household is considered “cost burdened” if it pays more than 30% of its income on housing and housing-related costs (e.g., rent, mortgage payments, utilities, property taxes, insurance, etc.).<sup>2</sup> Because so much of their income is spent on housing, cost-burdened households have less income remaining to cover other necessities like transportation, food, childcare, and education.

### ***3,700 households are burdened with high housing costs.***

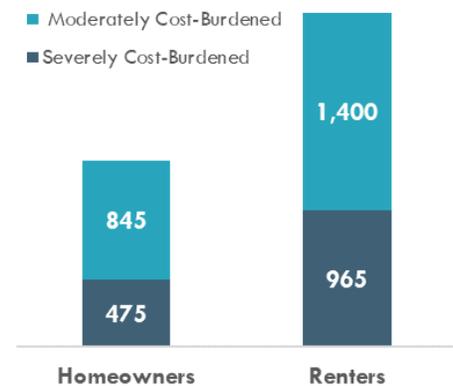
In 2020, nearly 3,700 households in the City of Wenatchee were housing cost burdened, representing more than one-quarter of all households in the city. Over 1,400 of these households were severely cost-burdened, meaning they spend more than half of their income on housing. Because housing costs have increased faster than incomes since 2020, the number of cost-burdened households has likely grown.

### ***Market-rate rental housing is not meeting the needs of residents with low incomes.***

In June 2023, the average apartment rent in Wenatchee was \$1,487 per month.<sup>3</sup> To afford this rent without being cost burdened, a household would need an annual income of nearly \$60,000. As of 2022, about 65% of renter households in Wenatchee had an income lower than this amount.<sup>4</sup>

Rental housing costs have risen dramatically in recent years. There are currently some signs of stabilization that are likely

Cost-Burdened Households in Wenatchee



## Average rent isn't affordable to many workers.

The average apartment rent in Wenatchee is nearly \$1,500 per month. To afford this rent without cost-burden requires an annual income of \$60,000. Many common jobs in Chelan County pay less than this, including:

- \$50,290** Construction laborer
- \$42,100** Restaurant server
- \$36,410** Emergency medical technician
- \$35,270** Fruit packer

Average wages as of March 2022. Source: WA Employment Security Dept., 2023.

<sup>1</sup> This area includes the City of Wenatchee as well as the Wenatchee Urban Growth Area in unincorporated Chelan County. See the map in Exhibit 1.

<sup>2</sup> Sources: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

<sup>3</sup> Source: [Housing Market Data Toolkit: Rental Housing Markets](#) (WCRER, 2023).

<sup>4</sup> Source: Census American Community Survey 5-Year estimates, 2022; BERK, 2024.

related to the large volume of multifamily housing produced in recent years, but this stabilization may be temporary if additional housing is not produced.

### **Ownership housing costs are out of reach for all but households with high incomes.**

The median sales price for a detached single-family home in Wenatchee is \$561,000. A household would need an annual income of nearly \$137,000 to afford this home (assuming a 20% downpayment).

The median sales price for a townhome in Wenatchee is \$385,000, which is affordable to households with an annual income of nearly \$94,000 (with a 20% downpayment). These incomes are significantly higher than the median income of Wenatchee households, as shown on the right.

**Income needed to afford a single-family home (2023)**

**\$136,790**

**Income Needed to Afford a Townhome (2023)**

**\$93,849**

**Median Household Income (2022)**

**\$66,143**

### **There is a shortage of ownership housing supply.**

The number of homes for sale in Wenatchee is not keeping pace with demand. The city needs to double its inventory of homes for sale to reduce competition for homes and stabilize price escalation.<sup>5</sup>

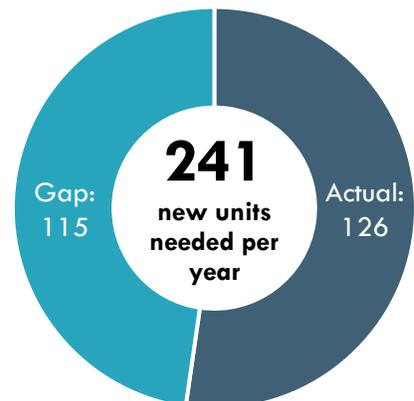
### **Wenatchee must nearly double its recent rate of housing production to meet growth targets.**

To meet countywide projected housing needs, Chelan County is assigning growth targets for each jurisdiction. To meet its target by the year 2046, the Wenatchee Urban Area will need to add 241 net housing units each year. However, between 2016 and 2022, the area only gained an average of about 126 new units each year,<sup>6</sup> as shown at right.

### **Over half of Wenatchee's new housing needs to be affordable to households with low incomes.**

Wenatchee's growth targets will include breakdowns by income level. Over half of the target will address the needs for households with incomes below 80% of median family income. These households are not typically served by new market-rate housing development, so public action will be necessary to provide incentives and subsidies to support affordability.

**Additional Housing Production Needed**



<sup>5</sup> According to data from Redfin, there was a 2-month supply of homes for sale in mid 2023. A healthy housing market has at least a 4-month supply of homes for sale. See [Housing Stock and Production Trends](#) in the report for details.

<sup>6</sup> Sources: OFM, 2023; City of Wenatchee, 2023; BERK, 2023.

# Barriers to Housing Production

There are several barriers that present challenges to housing production in Wenatchee. Understanding these barriers is crucial for developing effective strategies to support and encourage new housing production.



**The cost of housing production in Wenatchee is high.** Construction costs have increased over the past few years due to higher interest rates and inflated costs of building materials and labor. These costs are making it harder for private developers to build projects with a sufficient rate of return.



**Suitable land for multifamily development is limited.** Appropriate parcels are scarce and prices are high. Assembling a development site from multiple adjoining parcels is challenging.



**Recent changes to the Multi-Family Housing Tax Exemption (MFTE) program may undermine its effectiveness.** Over the past decade, Wenatchee's MFTE program has supported an increase in development activity. However, recent changes add additional requirements that may limit the number of developers willing to participate in the program.



**Regulatory oversight and infrastructure costs can be unpredictable.** Developer interviewees reported inconsistencies in the building regulation process and unexpected costs for water meters and sewer connections. This kind of unpredictability can undermine the confidence a developer needs to move forward with new projects.



**Some land use regulations increase housing costs and undermine project feasibility.** Under current market conditions, the City's density limits and parking requirements in most multifamily and mixed-use zones limit the kinds of new housing that can be built and reduce the rate of return for developers. These requirements could be adjusted to improve project feasibility without changing building height limits.

# Recommendations to Support Housing Affordability

This report recommends several ways the City can address current and projected housing needs across the income spectrum. This includes incentives and revenue programs to support affordable housing and land use strategies to increase housing production.

## Incentives and Revenue Programs to Support Affordable Housing



**Adjust the MFTE program** to better encourage market-rate housing production while reducing the cost of affordable housing production.



**Provide surplus public lands to nonprofit affordable housing developers** in return for long-term affordability commitments.



**Ask voters to adopt an affordable housing property tax levy** to raise local funds for supporting affordable housing development.



**Offer development fee waivers for all affordable housing projects** to lower costs for a greater variety of affordable housing developers.

## Land Use Strategies to Increase Housing Production

**Support moderate-density housing**, including “middle housing” like townhomes, duplex, triplex, or 4-plex buildings:



- Increase allowable densities.
- Improve flexibility with parking requirements.
- Increase options to fulfill open space requirements.
- Extend the applicability of the MFTE program to include sites with duplexes.
- Coordinate and simplify processes for utility extensions and connections.

**Support low- and mid-rise multifamily housing**, including apartment and condominium buildings three to six stories in height:



- Remove maximum density limits in Residential High (RH) zone.
- Reduce and simplify parking requirements.
- Allow for in-lieu payments or other provisions to meet open space requirements.
- Adjust building height and lot coverage requirements in some mixed-use zones.
- Increase flexibility for ground-floor retail requirements.

# Introduction

Housing affordability is a significant challenge in Wenatchee. To meet all current and future housing needs, the city and its surrounding urban growth area need to add 6,275 housing units by 2046. Over half of these new units will need to be affordable to low-income households. This represents a significant increase in the rate of housing production as well as a shift towards new housing products that can be provided at lower cost. The City of Wenatchee will be updating its comprehensive plan and taking actions that seek to better accommodate and encourage this housing growth. To support this effort, the City hired BERK Consulting to conduct a housing market study.

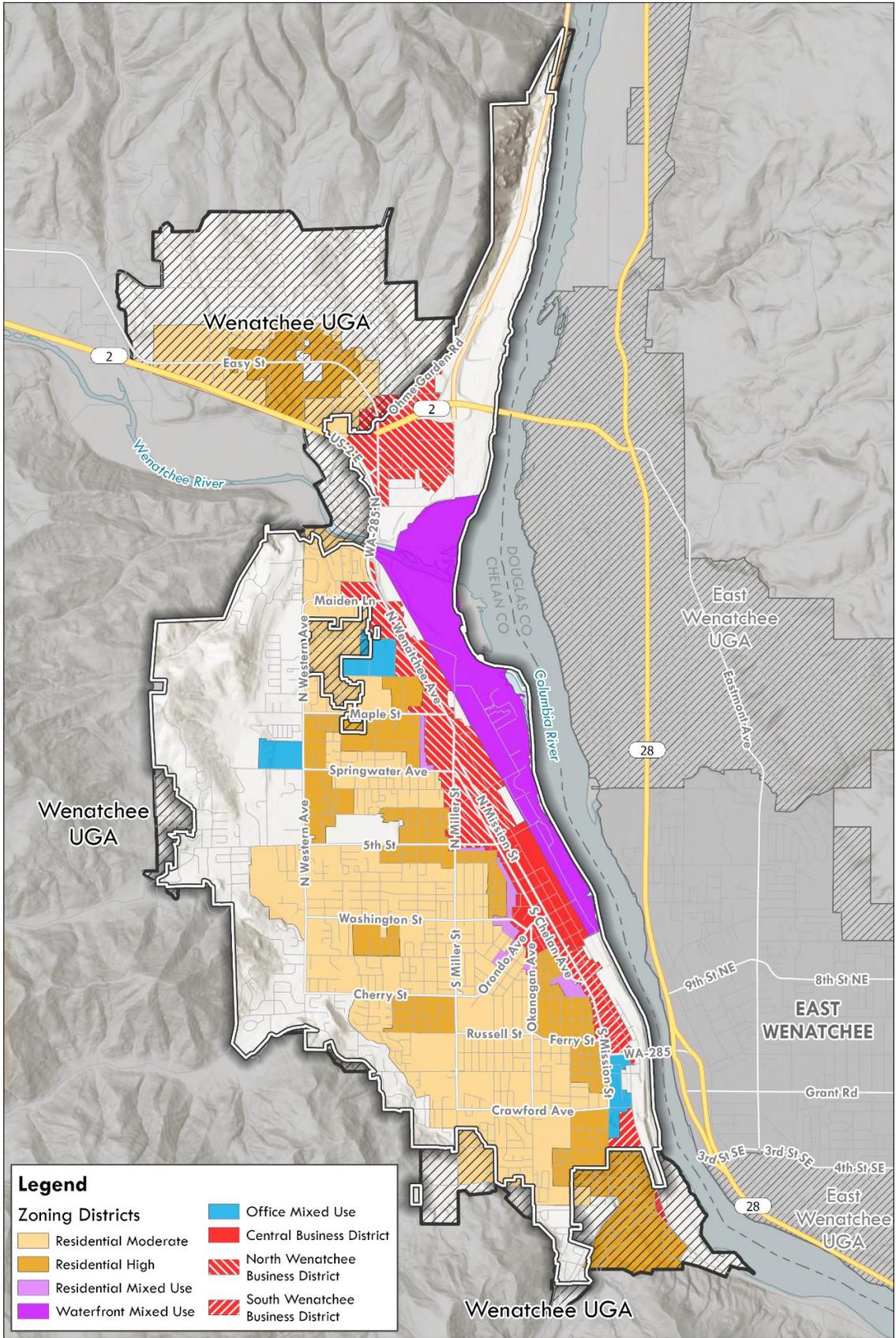
This housing market study includes four sections:

- **Housing Market Trends Analysis:** A review of recent trends in the housing market, including both market-rate and income-restricted housing production, as well as the alignment of recent trends and housing needs.
- **Redevelopment Potential Analysis:** An evaluation of market conditions to determine redevelopment potential in eight specified commercial, mixed-use, and multifamily residential zones.
- **Land Capacity Analysis Recommendations:** BERK’s recommendations to inform the City’s land capacity analysis methodology, with a focus on the eight zones of interest.
- **Adequate Provisions Recommendations:** BERK’s recommendations for adequate provisions that the City can take to remove barriers to both affordable and market rate housing production, with a focus on multifamily housing types in greatest need. The recommendations include incentive and revenue programs to support affordable housing production and consideration of broader programmatic approaches beyond development regulations and the administration of project applications.

## Study Area

The City of Wenatchee is planning for housing growth within its municipal boundary as well as its surrounding urban growth area (UGA) in unincorporated Chelan County. Exhibit 1 shows a map of this combined area, which is referred to as the “Wenatchee Urban Area.” Whenever possible, this study addresses housing market trends and housing needs within the entire urban area (city and UGA combined). However, for some topics, data is only available for conditions within the city boundaries. In those instances, the report will specify the findings are for the “city of Wenatchee.” Exhibit 1 also shows the eight zones of interest for the redevelopment potential analysis.

**Exhibit 1. Study Area: City of Wenatchee and Urban Growth Area (UGA), Including Zones of Interest**



Source: City of Wenatchee, 2023; OFM, 2023; BERK, 2023.

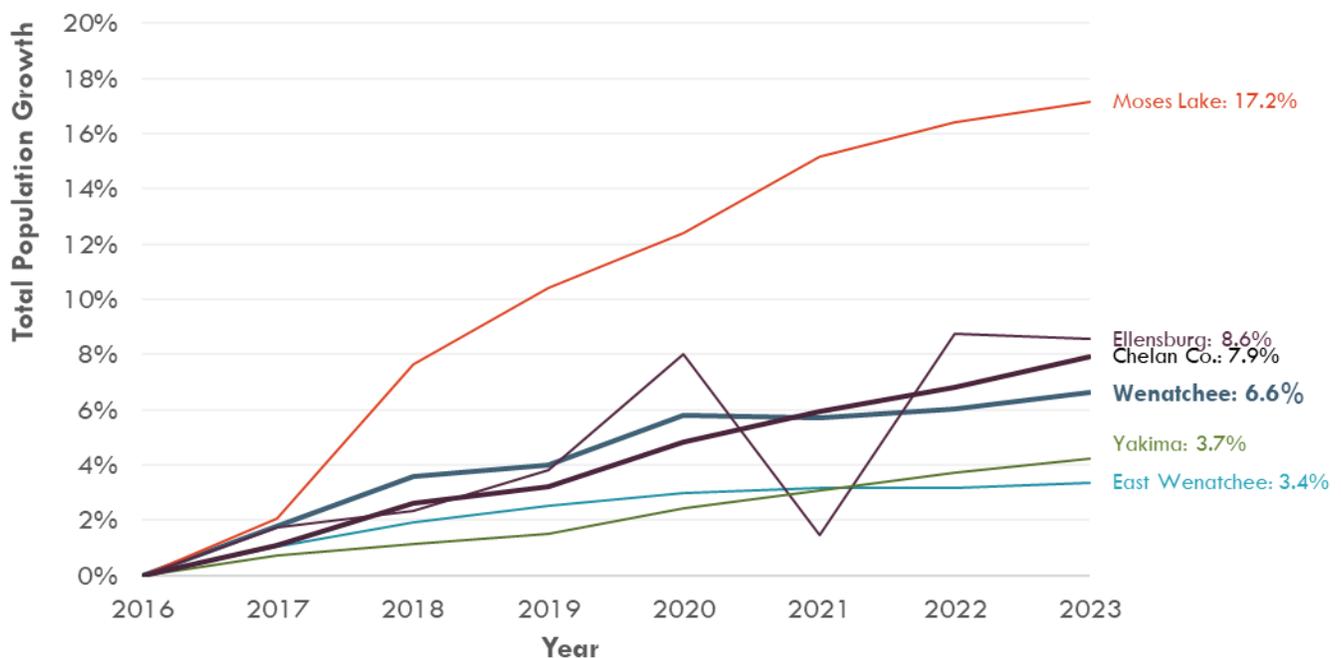
# Housing Market Trends Analysis

## Demographic and Household Trends

### Population Growth

As of 2022, the Wenatchee Urban Area had an estimated total population of 41,019.<sup>7</sup> Since 2000, the area has grown at an average annual rate of 0.9%. Exhibit 2 compares more recent growth trends in the city of Wenatchee to that of comparison jurisdictions. Since 2016, the city has increased its population by 6.6%. This is somewhat lower than Chelan County as a whole (7.9%), as well as the cities of Ellensburg (8.6%) and Moses Lake (17.2%). On the other hand, the city of Wenatchee has grown significantly faster than Yakima (3.7%) and its neighbor East Wenatchee (3.4%).

**Exhibit 2. Population Growth in City of Wenatchee and Comparison Jurisdictions, 2016 – 2023**



Notes: Population estimates are for April 1 of the corresponding year. Population in Ellensburg likely dipped in 2021 due to loss of on-campus student population at Central Washington University during the COVID-19 pandemic.

Sources: OFM, 2023; BERK, 2023.

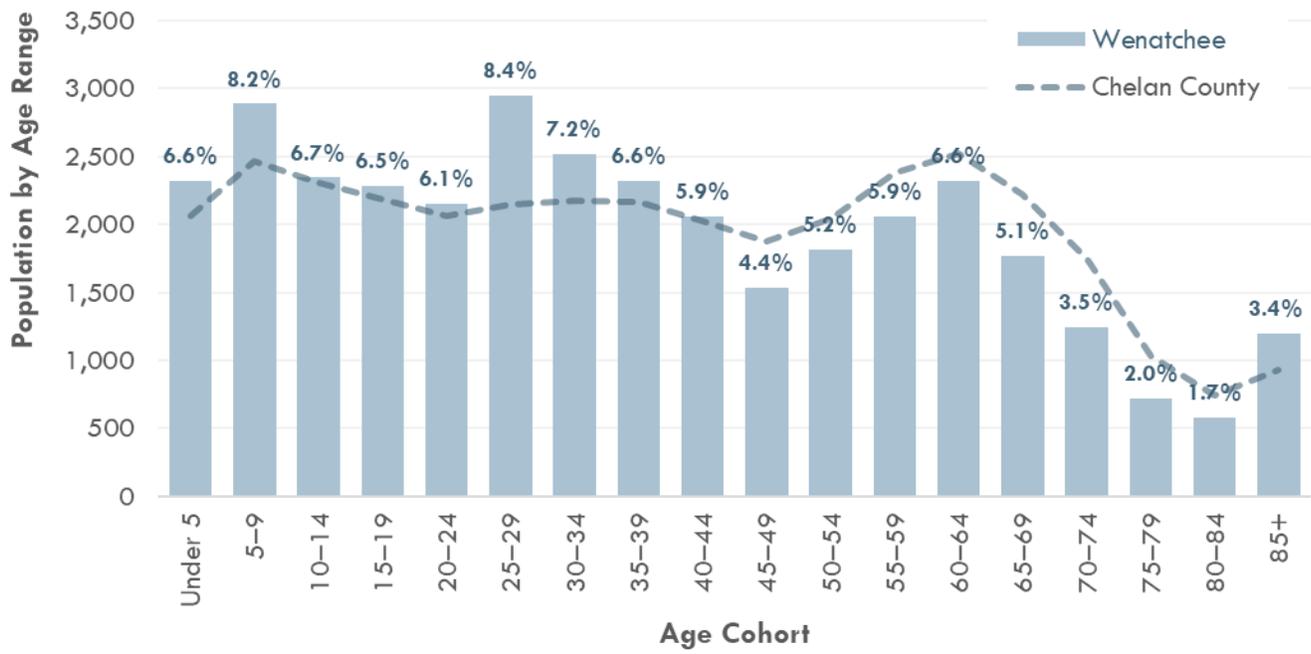
### Age

Exhibit 3 shows a breakdown of Wenatchee’s population by age range, with a comparison to Chelan County as a whole. While the patterns in age ranges are similar, Wenatchee has a larger share of children aged 9 and under as well as adults aged 25 to 39. This is likely due to young adults and young families living in the city closer to jobs, schools, and a greater variety of housing options. Wenatchee also has slightly lower shares of adults aged 45 to 84 than Chelan County. This could be explained in part by

<sup>7</sup> Source: [Estimates of Total Population for Census 2020 Urban Growth Areas](#) (OFM, 2023).

other parts of the county being more popular among retirees or older adults who do not need to live as close to city amenities. Finally, Wenatchee has a somewhat greater share of older adults, age 85 and above. This may reflect the fact that Wenatchee offers more options for elderly residents who need additional support such as assisted living facilities.

**Exhibit 3. Population by Age Range in City of Wenatchee, 2021**

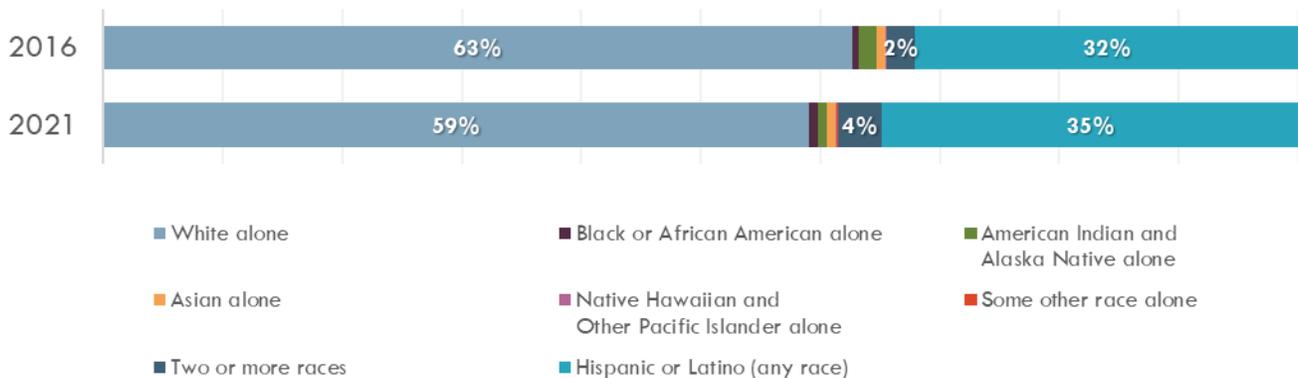


Sources: US Census Bureau, 2017-2021 American Community Survey 5-Year Estimates; BERK, 2023.

## Race and Ethnicity

Exhibit 4 shows the breakdown of population by race and ethnicity in the city of Wenatchee for 2016 and 2021. During this period the city lost population among White, non-Hispanic persons, while gaining persons who identify as Hispanic or Latino or non-Hispanic persons who identify as two or more race.

**Exhibit 4. Share of Population by Race and Ethnicity in 2016 and 2021, City of Wenatchee**



Note: With the exception of Hispanic or Latino, all groups are exclusive of persons who identify as Hispanic or Latino.

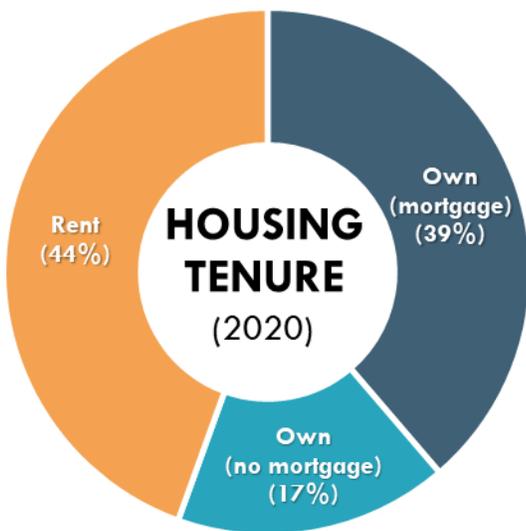
Sources: US Census Bureau, 2012-2016 and 2017-2021 American Community Survey 5-Year Estimates; BERK, 2023.

# Household Characteristics

## Housing Tenure

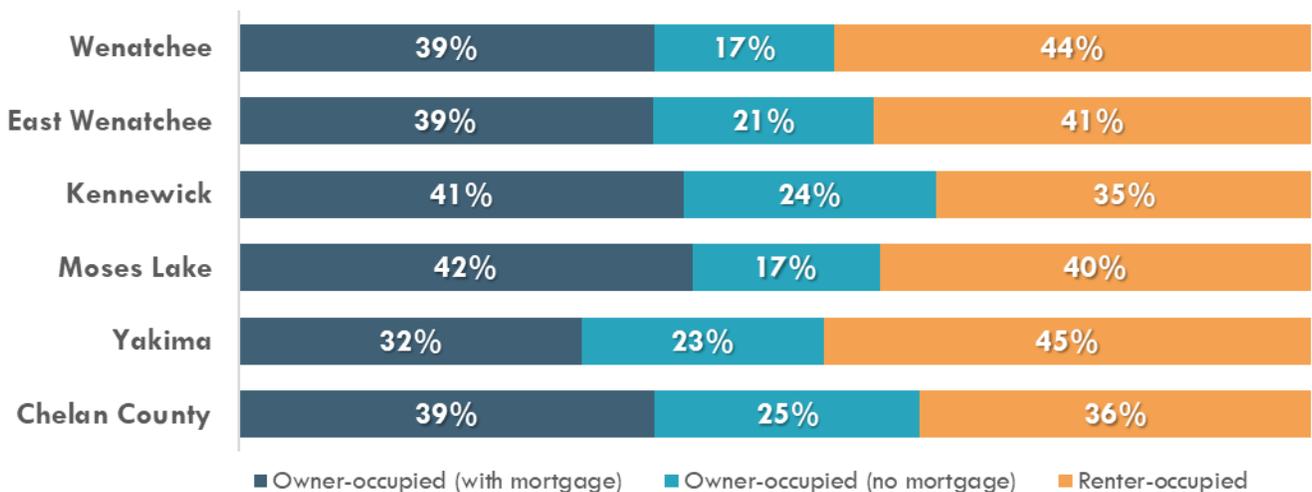
Exhibit 5 breaks down all households in the city of Wenatchee by tenure. As of 2020, over half (56%) of households were owner-occupied, and most of these households had a mortgage. Exhibit 6 compares this breakdown to other jurisdictions. Wenatchee has a higher share (44%) of renters compared to the county as a whole (36%), Moses Lake (40%), Kennewick (35%), as well as neighboring East Wenatchee (41%). Yakima’s share of renters (45%) is similar to the Wenatchee’s.

**Exhibit 5. Households by Tenure in City of Wenatchee, 2020**



Source: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020.

**Exhibit 6. Households by Tenure in City of Wenatchee and Comparison Areas, 2021**

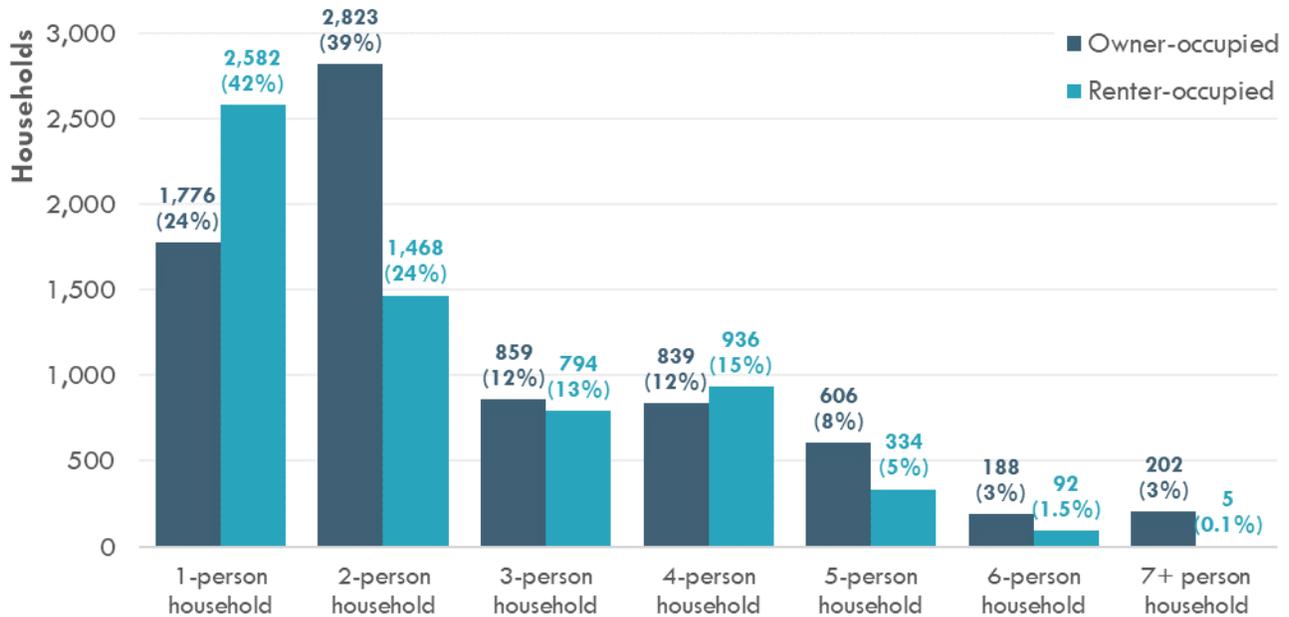


Source: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020.

## Household Size

Exhibit 7 breaks down all households in the city of Wenatchee by both household size<sup>8</sup> and tenure. Overall, nearly two thirds (64%) of all households have only one or two members. One-person households are somewhat more commonly renters, while two-person households are more commonly homeowners. Three- and four-person households are evenly split between renters and owners. Larger households are more commonly owner-occupied, yet there are many renter households with five or six members.

**Exhibit 7. Households by Size and Tenure in City of Wenatchee, 2021**



Note: The percentages in this chart measure the share of households within each tenure. For example, 42% of renter households have only 1 member.

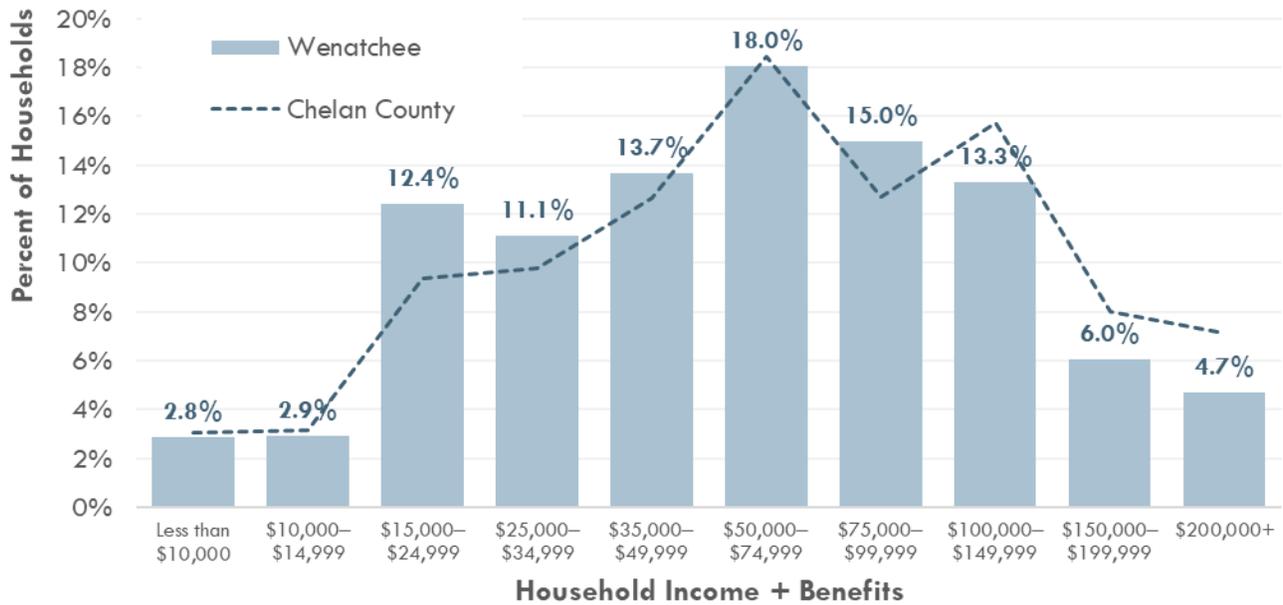
Source: US Census Bureau, 2017-2021 American Community Survey 5-Year Estimates.

## Household Income

Household income refers to the total combined income of all members of a household. A household's income determines what kinds of housing and which locations are affordable to them. As of 2021, the median household income in the City of Wenatchee was \$60,285, which is slightly lower than the countywide median of \$64,895. Exhibit 8 shows the distribution of households by income range in the city of Wenatchee, along with the countywide distribution represented as a dashed line. Countywide, there is a slightly higher proportion of households at the highest income ranges and lower proportion of households with incomes between \$15,000 and \$49,999.

<sup>8</sup> Household size refers to the total count of persons living in a household. Household members may be adults or children. A household could be composed of a family of related persons, unrelated persons living together as housemates, or individuals living alone.

**Exhibit 8. Distribution of Household Income and Benefits, 2021**



Source: US Census Bureau, 2017-2021 American Community Survey 5-Year Estimates.

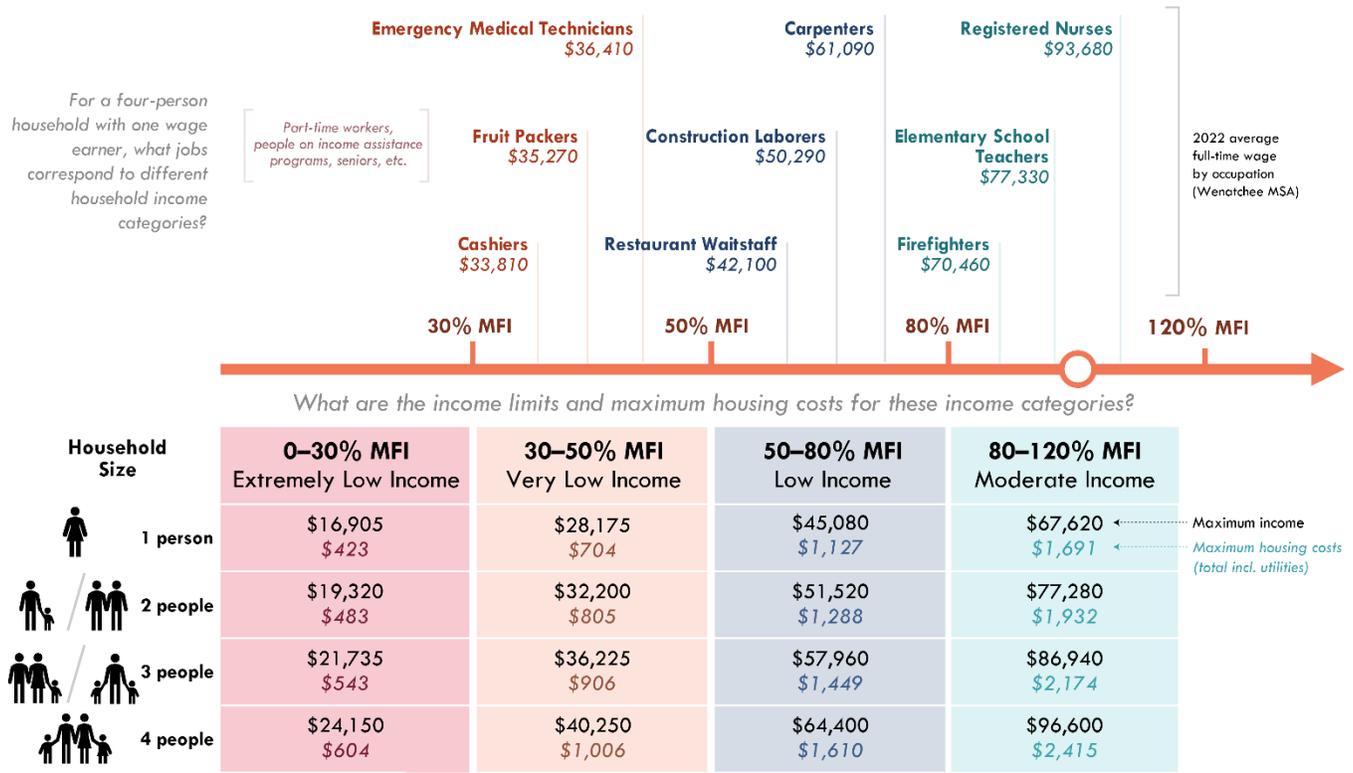
Affordable housing policies often classify all households by income level relative to the HUD-area **median family income**, or **MFI**.<sup>9</sup> In 2023, Chelan County’s MFI was \$80,500.<sup>10</sup> This represents the median income of a 4-person household. When classifying households by income level, HUD makes adjustments for household size. So, for example, the threshold for determining 80% MFI is lower for a two-person household than it is for a four-person household. The table in Exhibit 9 shows income limits for classifying households by income level relative to MFI. It also includes average wages in Chelan County for representative job types to show where they fall in terms of income levels, assuming a single wage earner and a four-person household. Finally, this exhibit shows the maximum monthly housing cost that is affordable for each income level.

<sup>9</sup> Note that MFI is a different measure than median household income, described in the prior paragraph. They are not comparable because median household income includes all households, not just family households.

<sup>10</sup> Source: [Income Limits](#) (HUD, 2023).

## Exhibit 9. Income Limits and Affordable Housing Costs by Household Size in Chelan County, 2023

### 2023 Chelan County Median Family Income (MFI): \$80,500

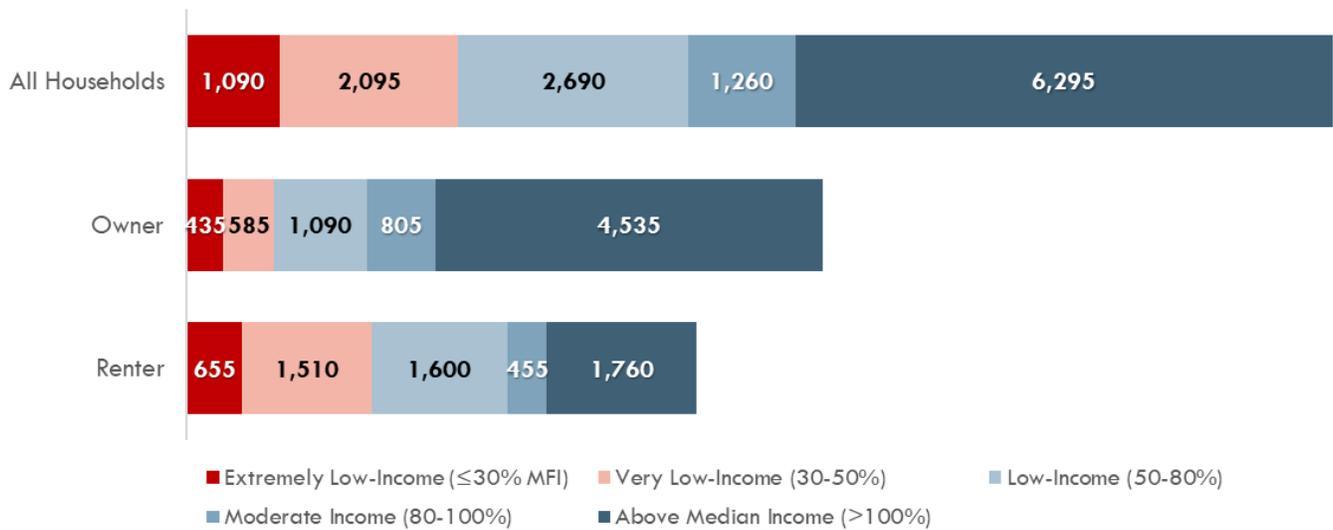


Note: Wage data reflects conditions in March 2022.

Sources: HUD, 2023; Washington State Employment Security Department, 2023; BERK, 2023.

Exhibit 10 shows the breakdown of all households in the city of Wenatchee by income level relative to MFI as of 2020 when MFI was \$69,400. It also includes a comparison of renter and owner households. It shows there are relatively few households falling in the 80-100% MFI category compared to other income levels. One reason is that HUD data doesn't provide breakdowns for the full range of moderate-income households as defined in Washington State planning, where the upper limit is either 115% or 120%, depending on context. However, having fewer households in the moderate-income category also represents a broader trend across Washington State of growing income disparity and a shrinking number of moderate-income households.

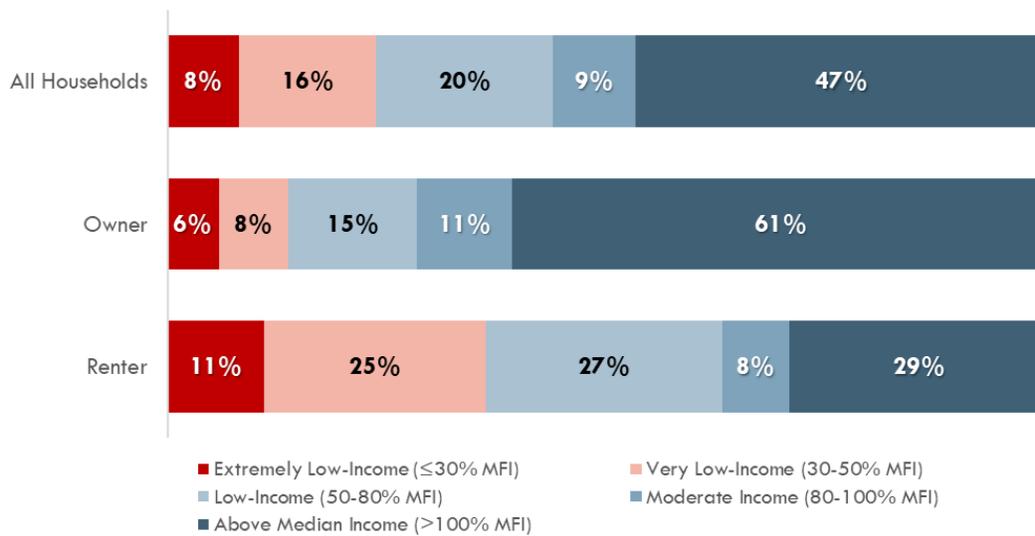
**Exhibit 10. Households by Tenure and Income Level in City of Wenatchee, 2020**



Sources: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

Exhibit 11 shows the percentage breakdown of these same households by income level relative to MFI. Not surprisingly, renter households more commonly have lower incomes than owner households.

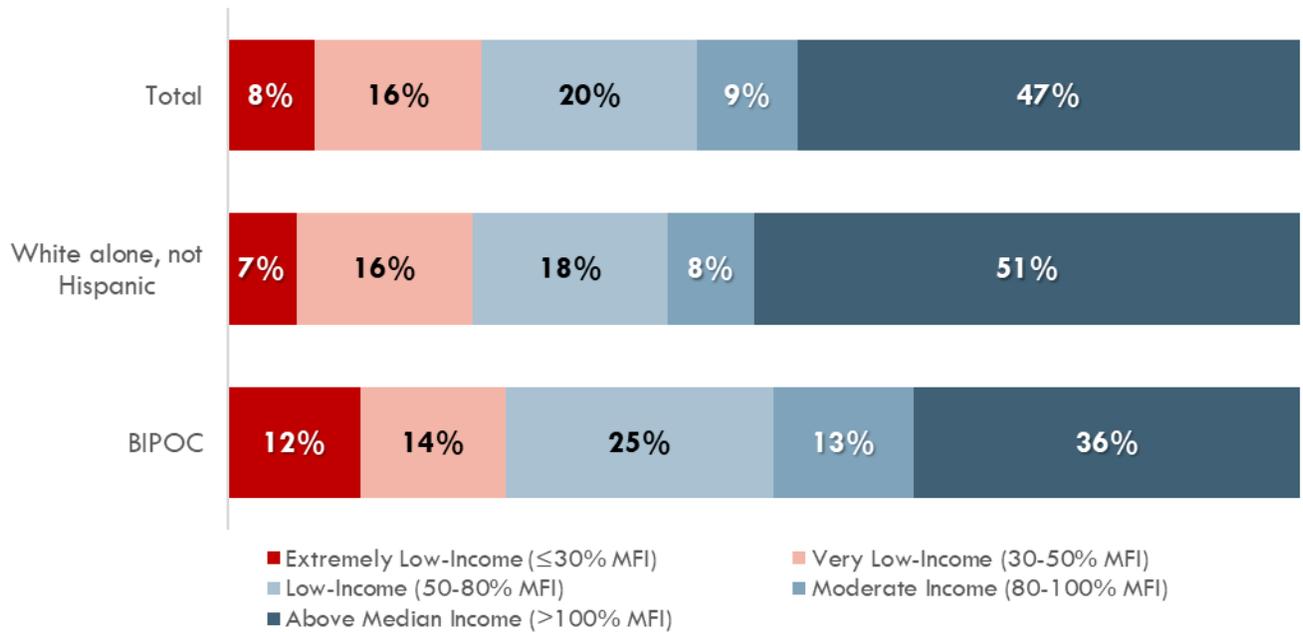
**Exhibit 11. Share of Households by Tenure and Income Level in City of Wenatchee, 2020**



Sources: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

Exhibit 12 shows the same breakdowns of households by income level comparing White, Non-Hispanic and BIPOC (Black, Indigenous, and People of Color) households. More White households have incomes above MFI, compared to BIPOC households.

**Exhibit 12. Proportion of Households by Income Level and Race/Ethnicity in City of Wenatchee, 2020**

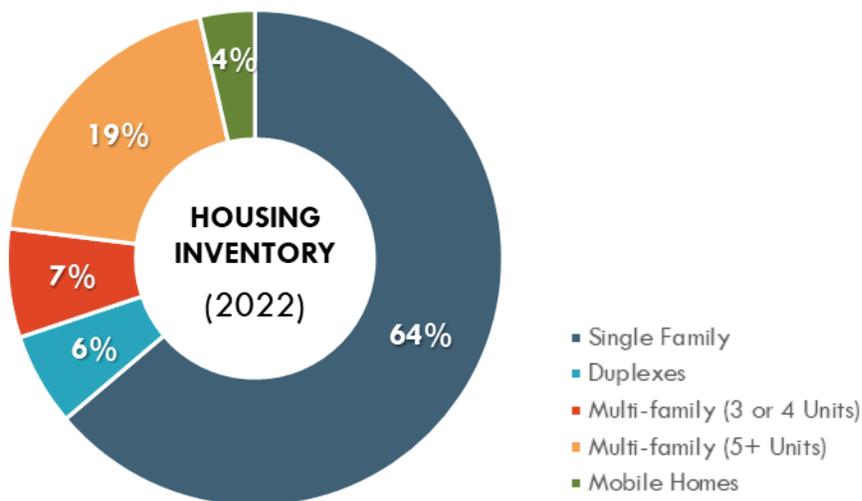


Sources: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

## Housing Stock and Production Trends

As of 2022, the Washington State Office of Financial Management (OFM) estimated the Wenatchee Urban Area had 16,660 housing units, while the city of Wenatchee had 14,688 units. Exhibit 13 breaks down the housing inventory by housing type, for the city of Wenatchee alone. Nearly two thirds of all units are detached single family homes. Larger multifamily buildings (typically apartments) with five or more units make up the next largest share at 19%.

**Exhibit 13. City of Wenatchee Housing Inventory, 2022**

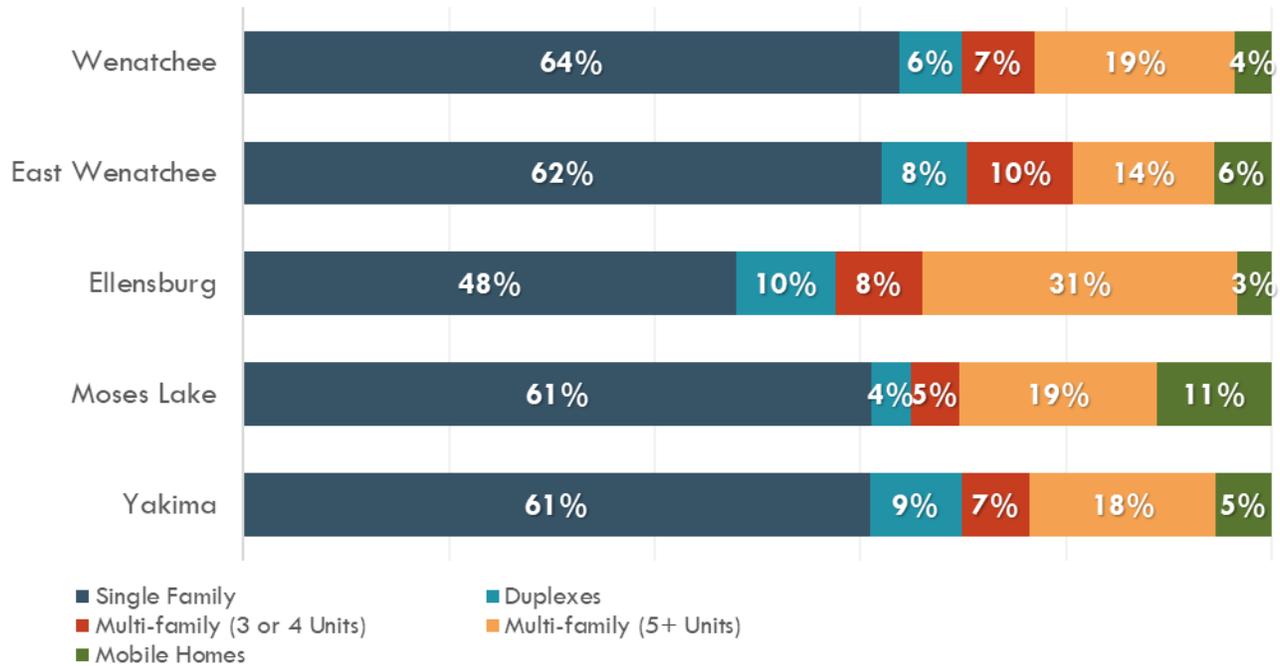


Note: OFM data groups detached and attached single family homes, so townhomes are typically classified as “single family.”

Sources: OFM, 2022; BERK, 2023.

Exhibit 14 compares the city of Wenatchee to five other cities. One notable difference is the smaller share of middle housing options (duplexes and three- to four-unit structures) in Wenatchee compared to East Wenatchee, Ellensburg, and Yakima.<sup>11</sup>

**Exhibit 14. City of Wenatchee Housing Inventory Compared to Peer Jurisdictions, 2022**



Sources: OFM, 2022; BERK, 2023.

Exhibit 15 shows the net change in housing stock between 2013 and 2022 in the City of Wenatchee. In recent years, larger multifamily buildings (five or more units) have been built at the fastest rate among housing types, followed by single-family homes. Middle housing (duplexes and three- to four-unit structures) and manufactured home production are relatively low in comparison.

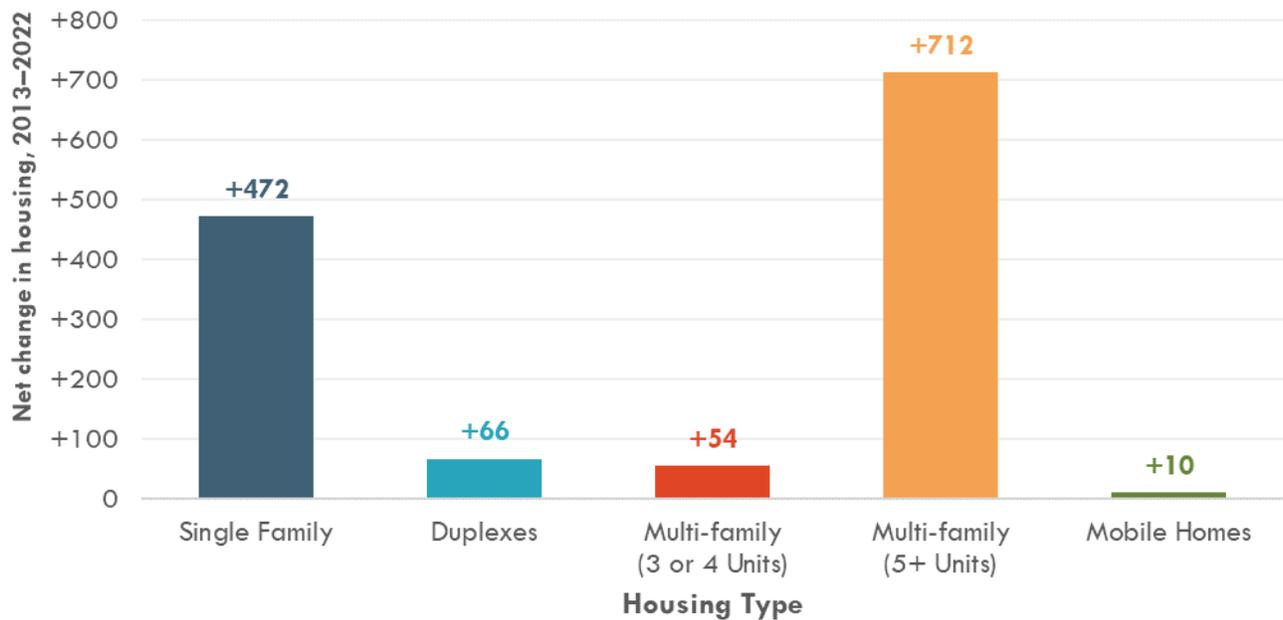
Separate data is available for Accessory Dwelling Unit (ADU) production. According to OFM, between 2013 and 2023 there were only 21 units permitted in the City of Wenatchee.<sup>12</sup> City permit data indicates a slightly higher count of ADU permits: 26 units total between July 2017 and September 2023.<sup>13</sup>

<sup>11</sup> Note that OFM data often groups townhomes with single family homes and accessory dwelling units with multifamily (5+ unit structures).

<sup>12</sup> Source: OFM, 2023.

<sup>13</sup> Source: City of Wenatchee, 2023.

**Exhibit 15. Net Change in Housing Stock in City of Wenatchee by Housing Type, 2013 – 2022**

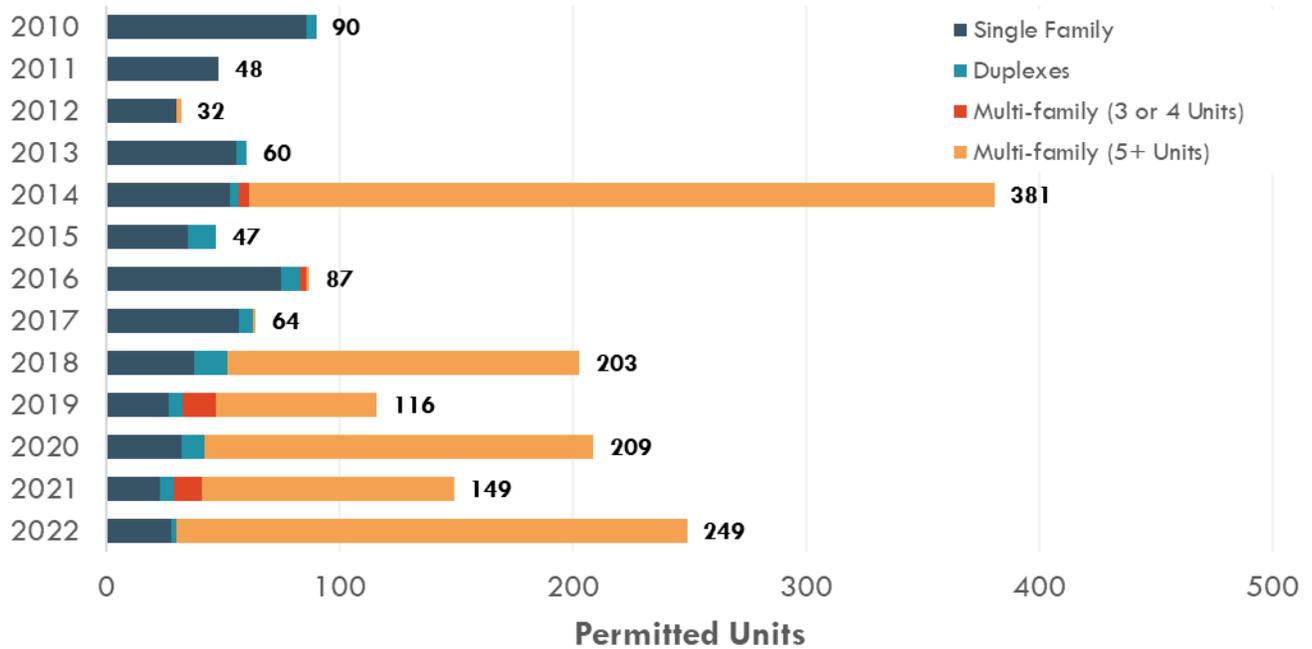


Sources: OFM, 2022; BERK, 2023.

Exhibit 16 shows the number of units permitted by type in the city of Wenatchee. It shows a diminishing number of single-family unit permits over time and a growing share of larger multifamily (five or more units) permitting.

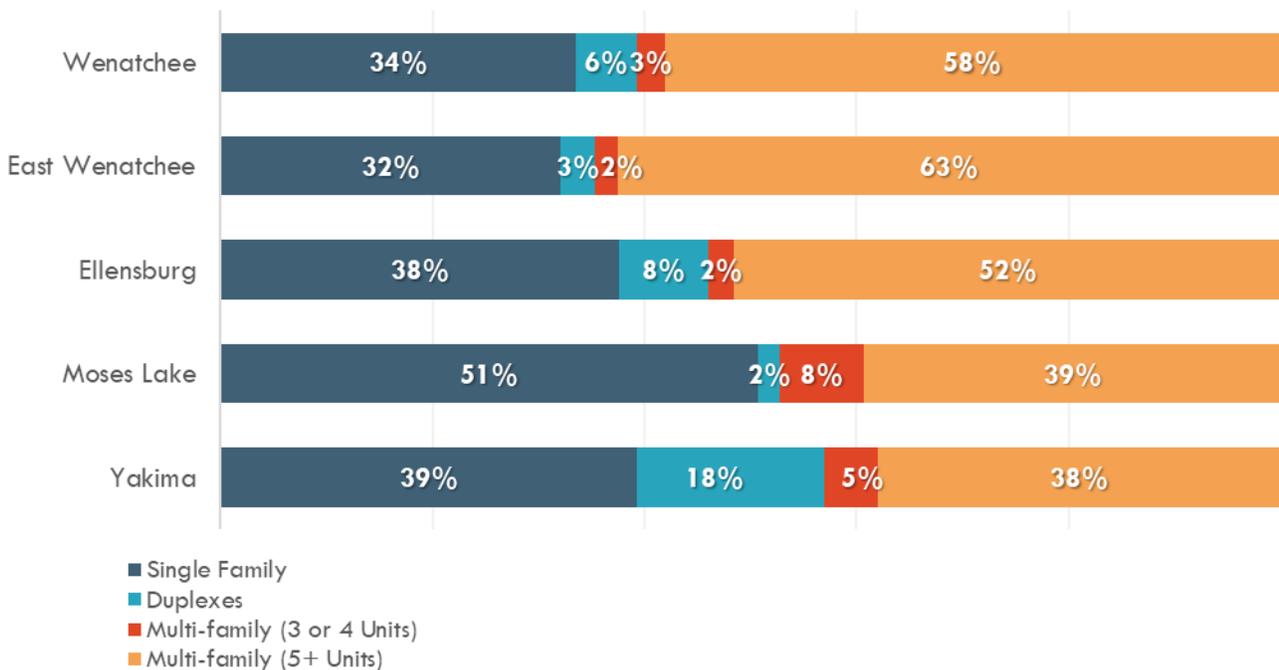
Exhibit 17 compares the share of new units completed in the city of Wenatchee to peer jurisdictions between 2013 and 2022, broken down by housing type. While East Wenatchee completed significantly fewer total units during this period (187 versus 1,256 in Wenatchee), a larger share of those units were in multifamily structures with five or more units (63% versus 58% in Wenatchee). Yakima saw a much greater share of middle housing production (23% versus 9% in Wenatchee).

**Exhibit 16. Units Permitted in City of Wenatchee by Housing Type, 2010 – 2022**



Sources: OFM, 2022; BERK, 2023.

**Exhibit 17. Housing Units Completed in City of Wenatchee Compared to Peer Jurisdictions, 2013 – 2022**



Sources: OFM, 2022; BERK, 2023.

## Subsidized Affordable Housing Production

Based on City records, since 2017, the city of Wenatchee has seen the production of 93 units of subsidized affordable housing intended to meet the needs of income-qualified low-income households.

Exhibit 18 details each of the four projects. Two are small Habitat for Humanity projects that provide affordable homeownership opportunities. The other two include a permanent supportive housing facility and a health crisis center which provide services to support the needs of residents.

**Exhibit 18. Subsidized Affordable Housing in Wenatchee, 2017 – 2023**

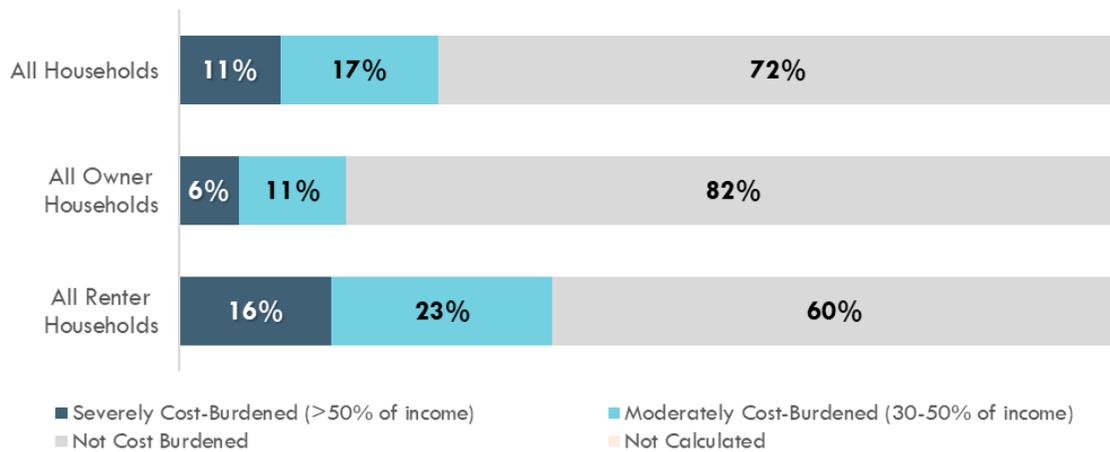
Project Name/Org	Address	Housing Type	Units in Structure	Year
St. Jude’s Landing/ Catholic Charities	1545 S Mission St.	Permanent supportive housing (apartments)	63	2018
Parkside	1203 Cashmere St.	Health crisis center (apartments)	21	2018
Habitat for Humanity	931 Methow St.	Ownership (townhomes)	3	2017
Habitat for Humanity	750 S Chelan	Ownership (duplex)	2	2019
<b>Total units</b>			<b>93</b>	

Source: City of Wenatchee, 2023.

## Housing Affordability

HUD defines a home as affordable if the household is spending less than 30% of their gross income on housing costs. By this standard, over a quarter (28%) of all households in Wenatchee were “cost-burdened” in 2020, over 7,000 households in total. Exhibit 19 shows the proportion of households by cost burden status in 2020. Severely cost-burdened households spend more than 50% of their incomes on housing costs whereas moderately cost-burdened spend between 30% and 50% of their incomes on housing. Renter households were much more commonly cost burdened than owner households (39% versus 17%).

**Exhibit 19. Proportion of Households by Cost Burden Status in City of Wenatchee, 2020**

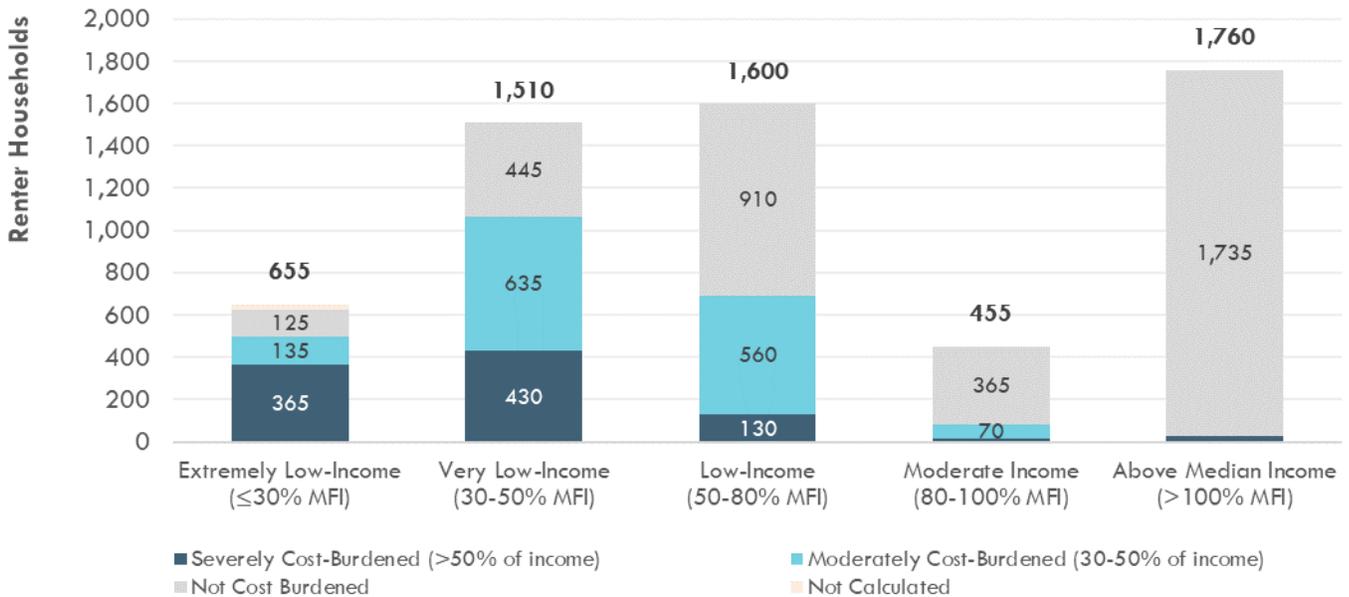


Sources: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

## Rental Housing Affordability

In 2020, there were 3,745 cost burdened renter households living in the city of Wenatchee.<sup>14</sup> Exhibit 20 summarizes all renter households by cost burden status for the city of Wenatchee in 2020. It shows the total number of households living in unaffordable homes is highest at the 30% to 50% MFI level, followed by 50% to 80% MFI level

**Exhibit 20. Renter Households in City of Wenatchee by Cost Burden Status, 2020**



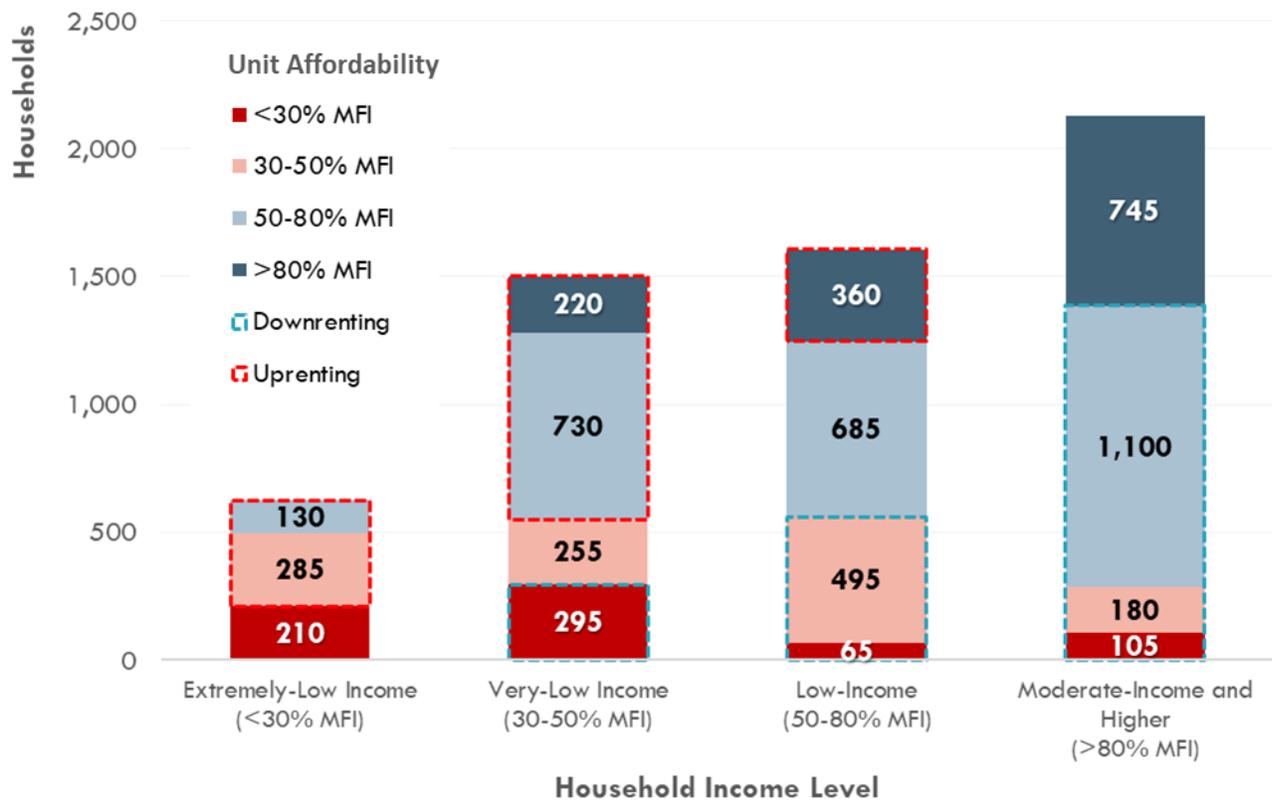
Sources: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

Subsidized affordable housing is typically only available to households that qualify based on their income. However, most low-cost housing units in Wenatchee do not have subsidies or income restrictions. While many of these units are affordable to low-income households, they are not always available or occupied by a low-income household. Exhibit 21 shows the affordability level of units occupied by renter households in 2020. It shows, for example, that most extremely low-income households (<30% MFI) are living in units that cost more than they can afford. This is represented by a red dotted line.

However, there are also households at higher income levels that are occupying units that would be affordable for lower income households. This is represented by a blue dotted line. These households are “down-renting,” or occupying units that cost less than the amount they can afford based on their income. When households down-rent, it reduces the stock of housing that is both affordable and available for households at lower income levels. The majority of moderate-income and higher (>80% MFI) households in Wenatchee were down-renting as of 2020. Increasing the production of newer rental units affordable for moderate income households can reduce competition for older and lower cost units, making more available to lower income households.

<sup>14</sup> Note, this includes households with zero or negative income for which cost burden status cannot be calculated. Source: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020.

**Exhibit 21. Affordability Level of Units Occupied by Renter Households, 2020**



Sources: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

More recent data about rental market costs is available from the Washington Center for Real Estate Research (WCRER). As of June 2023, an average apartment costs \$1,487 per month in the city of Wenatchee.<sup>15</sup> This is slightly below the average cost apartment in the entire Chelan/Douglas counties area (\$1,538).<sup>16</sup> To afford the average rent in Wenatchee, a household needs an annual income of at least \$59,480, and more if utilities or other housing costs are not included in the rental price.

Recent data about rents by apartment size are only available for the entire Chelan/Douglas counties area. Using HUD standards to calculate affordability, BERK estimates that a household needs to have an income equivalent to 103% of MFI to afford the average 1-bedroom apartment, and 102% of MFI to afford the average 2-bedroom apartment.<sup>17</sup> However, over 70% of renters in Wenatchee have an income below this level.

Rents have increased in recent years. Exhibit 22 shows average monthly apartment rents in the entire Wenatchee Metropolitan Statistical Area (Chelan and Douglas Counties). Between April 2021 and November 2023, average rents increased by about \$300 (23%). However, much of that increase occurred by fall 2022 and rents have fluctuated in the months since. This mirrors a similar trend in the

<sup>15</sup> Source: [Housing Market Data Toolkit: Rental Housing Markets](#) (WCRER, 2023).

<sup>16</sup> Source: [Washington State Apartment Market Report 2<sup>nd</sup> Quarter 2023](#) (WCRER, 2023).

<sup>17</sup> HUD sets affordable rent standards by percent of MFI for all counties (published by the Washington State Housing Finance Commission [\[link\]](#)). These standards are adjusted to match the assumed household size that would occupy the unit.

broader housing market associated with the increase in federal interest rates in late 2022. One explanation for this rental market stability is vacancy rates. Since early 2022, the apartment vacancy rate in the city of Wenatchee climbed significantly from 3.5% to 7.9%.<sup>18</sup> A healthy rental market has at least a 6% vacancy rate to reduce competition for available units. If production of new apartments slows the vacancy rate could fall, creating upward pressure on market rents once again.

**Exhibit 22. Average Monthly Apartment Rent in Wenatchee MSA (Chelan & Douglas Counties), 2021 – 2023**



Sources: Zillow Observed Rent Index (Smoothed) Multifamily Residence Time Series, 2023; BERK, 2023.

## Ownership Housing Affordability

As of 2020, HUD estimates there were 1,320 cost burdened households who owned their home, or about 17% of all owner households in the city of Wenatchee (See Exhibit 19).<sup>19</sup> This is a smaller share of households compared to 2015, when about 27% of owner households were cost burdened. However, this reduction most likely reflects changes in the employment status and income<sup>20</sup> of owner households rather than reductions in housing costs. In fact, median home values nearly doubled during this period, from about \$240,000 in July 2015 to \$472,000 in July 2022, shown in Exhibit 23. After federal interest rates increased in late 2022, home values in Wenatchee dipped slightly and recovered to nearly the 2022 peak as of July 2023. The dotted lines show the range of home values in Wenatchee from “low” (median value of the bottom third of all homes) to “high” (median value of the top third of all homes). The red line represents median home values across all of Chelan County. The median home values in the county

<sup>18</sup> Source: WCRER, 2023. WCRER’s methodology for calculating vacancy rates includes leaving out all apartment buildings built during the previous two years. The purpose is to remove the impact of large new building that are not yet filled with residents. But the fact that Wenatchee may have added significant new apartment supply during this period could still impact the vacancy rate of older buildings given the greater number of options available for people seeking housing. Additionally, other data sources indicate there is a much lower vacancy rate in Wenatchee. Pacific Appraisal Associates [published a Real Estate Snapshot report](#) with rental market data from Platinum Property Mgmt & Sales, Poltz Rentals LLC, Herring & Associates, and Huber Real Estate that indicates a multi-family vacancy rate of 2.8% in Q3 2023.

<sup>19</sup> Source: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020.

<sup>20</sup> The 2015 estimates reflect a five-year survey period from 2011 to 2015. In 2011 and 2012, Washington State was still recovering from job losses during the Great Recession.

aligned closely with Wenatchee home values from 2009 through mid-2020. However, following the onset of the COVID-19 pandemic, home values in the county have increased at a faster rate. This may reflect demand for homes in rural or recreational areas from new remote workers.

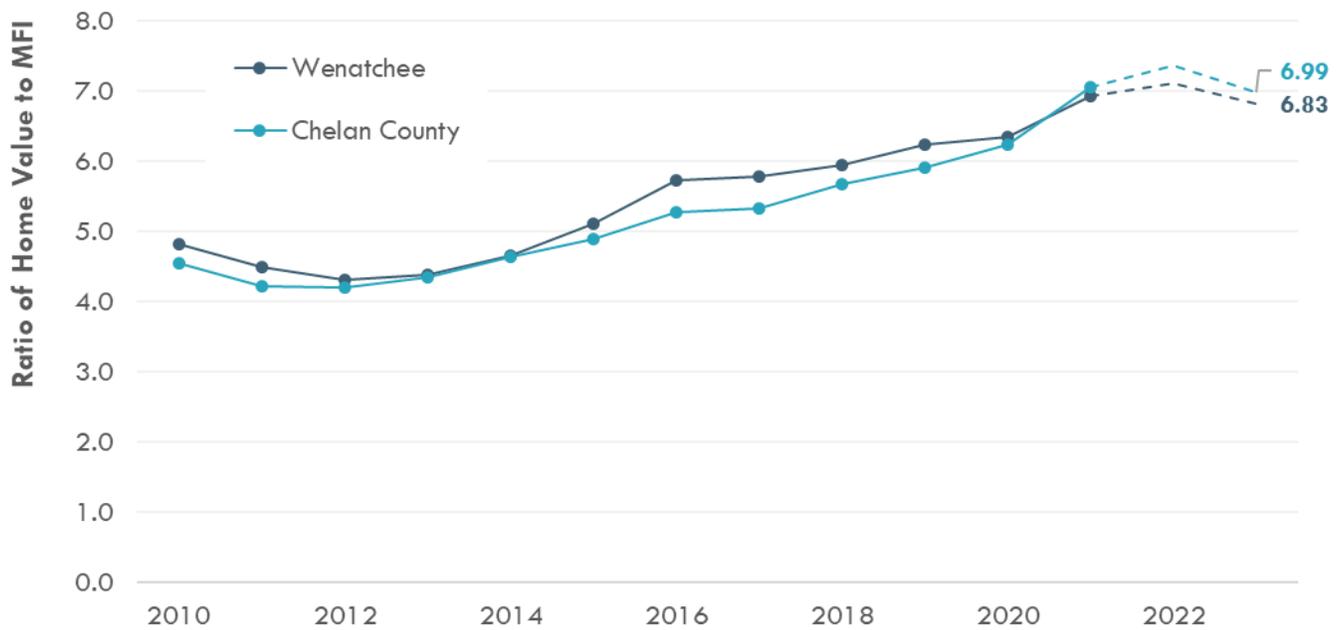
**Exhibit 23. Housing Value Index for City of Wenatchee and Chelan County, 2009 – 2023**



Sources: Zillow, 2023; BERK, 2023.

Housing values have been rising faster than incomes. Exhibit 24 shows the ratio of home value to the city median family income for Wenatchee and county median family income for Chelan County. In 2012, the median home value was just over four times the median family income in both the county and city. By 2022, the median home value was over seven times as high as the median family income.

**Exhibit 24. Ratio of Median Home Value to Median Family Income, 2010 – 2023**



Sources: Zillow, 2023; Census American Community Survey 5-year estimates 2010 through 2021; BERK, 2023.

One reason housing prices have increased so rapidly is a lack of supply compared to demand. This increases competition for available units. Exhibit 25 shows the number of months of supply of homes for sale in the city of Wenatchee. This measure compares the number of homes listed for sale to the rate at which homes are purchased. A healthy housing market has at least four months of supply available for home buyers. Except for a few spikes, the long-term trend in Wenatchee has been towards a tighter housing supply. By 2021, during COVID-19 pandemic, the supply shrank to less than one month. Since then, the supply has increased slightly to about two months by mid-2023. It is likely that higher interest rates during this period reducing the number of potential homebuyers, reducing the number of homes for sale needed to keep up with demand.

## Exhibit 25. All Homes for Sale by Months of Supply, City of Wenatchee



Source: Redfin, 2023.

As of August 2023, the median sales price for a detached single-family home in Wenatchee was \$516,000.<sup>21</sup> To afford to purchase a home of this value, a household would need an income of \$136,790, assuming they can cover a 20% downpayment (\$112,200).<sup>22</sup> This is about 170% of MFI for a four-person household. Townhomes are a bit more affordable at \$385,000,<sup>23</sup> as detailed in the following section.

### Affordability by Housing Type

Exhibit 26 summarizes the affordability of market rate housing in Wenatchee by housing type for both ownership and rental housing products as of summer 2023. For each housing product, we present the average cost, the annual income a household would need to afford that cost, and the affordability level as a percentage of MFI.<sup>24</sup> In general, apartments are significantly more affordable than townhouses or single-family homes in Wenatchee. However, none of these housing types are typically affordable to an 80% MFI household or below.

<sup>21</sup> Source: Redfin [Monthly Housing Market Data](#), 2023.

<sup>22</sup> This estimate assumes 7% interest rate.

<sup>23</sup> Source: Redfin [Monthly Housing Market Data](#), 2023. Note that Redfin data indicates there are very few townhome sales in Wenatchee (an average of less than 1 per month). So, the median sales price for this produce is less reliable.

<sup>24</sup> As mentioned earlier, HUD adjusts income thresholds used in affordability calculations based on assumed household size. For rental housing these assumptions are based on HUD standards for determining affordability of rentals, by number of bedrooms.

## Exhibit 26. Market Rate Housing Affordability in Wenatchee, Summer 2023

Housing Type	Average Cost	Annual Income Needed	Affordability Level	Notes
<b>1 Bedroom Apartment</b>	\$1,404 month rent	\$56,160	103% MFI	Assumes 1.5-person household
<b>2 Bedroom Apartment</b>	\$1,661 monthly rent	\$66,440	102% MFI	Assumes 3-person household
<b>Townhome</b>	\$385,000 median sales price	\$93,849	129% MFI	Assumes 3-person household and availability of 20% downpayment (~\$77,000)
<b>Single family home</b>	\$561,000 median sales price	\$136,790	170% MFI	Assumes 4-person household and availability of 20% downpayment (~\$112,000)

Note: Average rents are by unit size are based on conditions across all of Chelan and Douglas counties. Rents in Wenatchee are about 3% lower, on average.

Sources: Washington Center for Real Estate Research, 2023; Redfin Monthly Housing Market Data, 2023; BERK, 2023.

## Affordability in Comparison to Other Cities

WCRER calculates several Housing Affordability Indexes for cities over 10,000 in population. Unlike affordability calculations based on MFI, which is a standard based on the median *family* household in the county, these indexes are based on the income of all households (family and nonfamily) living in the city. In each index, a value of 100 indicates that the hypothetical homebuyer or renter has enough income to afford the median priced home or average apartment rent in the city.

Exhibit 27 presents two housing affordability index values for Wenatchee and ten comparison cities in central and eastern Washington. As of the second quarter of 2023, the median income homebuyer in Wenatchee would only have 54% of the income needed to afford a mortgage for the median priced home.<sup>25</sup> This is lower than every comparison city except for Ellensburg, which has a lower median income due to its large university student population. “Transitional renters” (those with income at 70% of median) in Wenatchee only have 79% of the income needed to afford the average apartment. This is the least affordable among all the comparison cities, including Ellensburg.

<sup>25</sup> See WCRER, 2023 [Housing Affordability Indexes](#) for details on data and assumptions behind these calculations.

**Exhibit 27. Housing Affordability Index Comparison, Q2 2023**

City	Median Income Buyer Index	Transitional Renter Index (Assumes household income is 70% of median)
<b>Wenatchee</b>	<b>54</b>	<b>79</b>
East Wenatchee	63	80
Ellensburg	42	102
Kennewick	-	97
Moses Lake	88	110
Pasco	-	117
Richland	-	92
Spokane	65	82
Sunnyside	58	119
Walla Walla	58	99
Yakima	63	105

Note: Median Home Buyer Index data is not available for Kennewick, Pasco, or Richland.

Source: WCRER [Housing Affordability Indexes](#), 2023.

## Projected Housing Needs

In 2023, the Washington State Department of Commerce (Commerce) published housing needs projections for all counties in Washington. Assuming that Chelan County’s growth is consistent with the OFM Medium population projection, Commerce projects that the County will need to add 10,531 net new housing units by the year 2046 to meet demand for housing. These projections also break down the projected housing needs by income level relative to MFI. Exhibit 28 shows projected housing needs in Chelan County as well as the preliminary allocation of housing needs to the Wenatchee Urban Area.<sup>26</sup> Over half of the units needed are households with incomes below 80% MFI. These households are not typically served by new market rate housing.

Exhibit 29 presents this allocation of needs along with the supply of housing by affordability level as of 2020. These estimates of affordability level of the current supply are based on Census data from 2016 through 2020 and therefore don’t reflect more recent housing cost escalation. Additionally, data about the affordability of homes in the unincorporated UGA is not available. Therefore, this chart includes the

<sup>26</sup> As of Fall 2023, the City of Wenatchee, in collaboration with Chelan County and all other cities in the county, was still in the process of allocating projected housing needs to individual jurisdictions, consistent with new Growth Management Act requirements passed in HB 1220. See [Updating GMA Housing Elements](#) for more details.

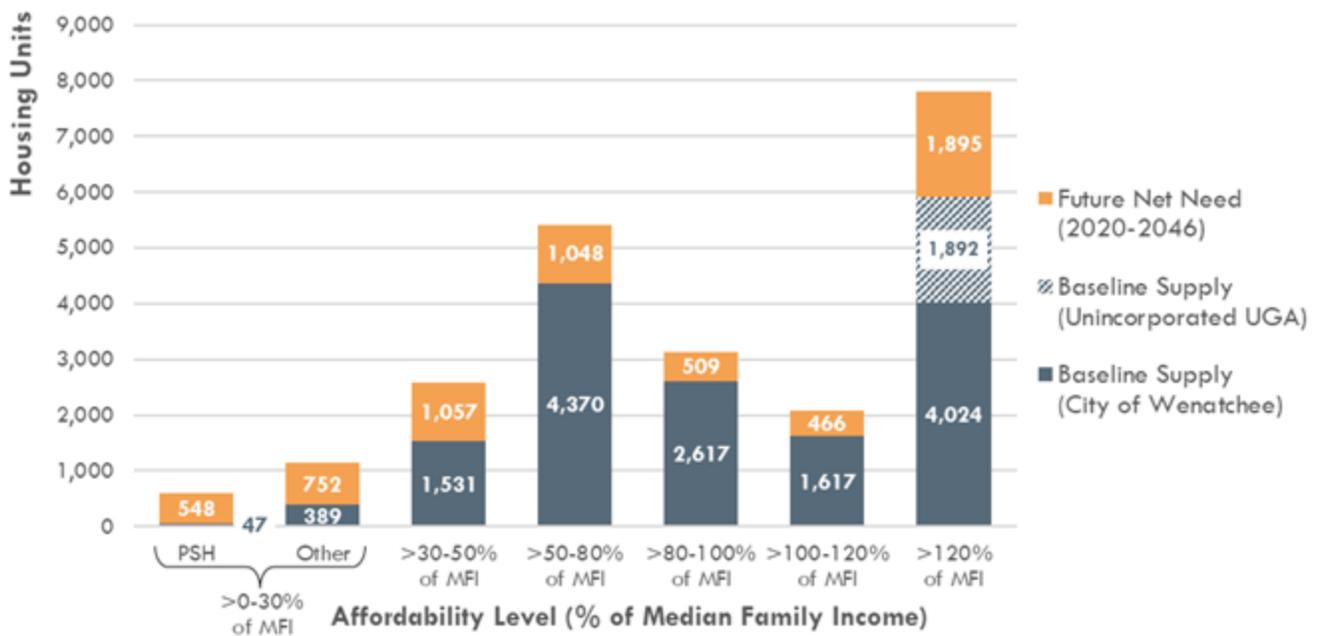
assumption that the entire supply of homes in the unincorporated UGA are affordable only to those with incomes above 120% AMI. While it's quite possible that some units in this area are affordable to moderate- or lower-income households, it is also likely that the cost of many units in the city have increased. Either way, the affordability of the current supply does not impact the amount of projected need at each income level. Baseline supply is only shown for comparison purposes.

**Exhibit 28. Projected Housing Unit Needs in Chelan County and Wenatchee Urban Area, 2020 – 2046**

Income Level (% of MFI)	Countywide Need (2020 – 2046)	Wenatchee Urban Area (Preliminary Allocation)
0-30% Permanent Supportive Housing (PSH)	920	548
0-30% Non-PSH	1,262	752
>30-50%	1,774	1,057
>50-80%	1,758	1,048
>80-100%	855	509
>100-120%	782	466
>120%	3,180	1,895
<b>Total</b>	<b>10,531</b>	<b>6,275</b>

Sources: WA Dept. of Commerce, 2023; City of Wenatchee, 2023.

**Exhibit 29. Baseline Housing Supply and Projected Housing Needs (2020 – 2046) in Wenatchee Urban Area**

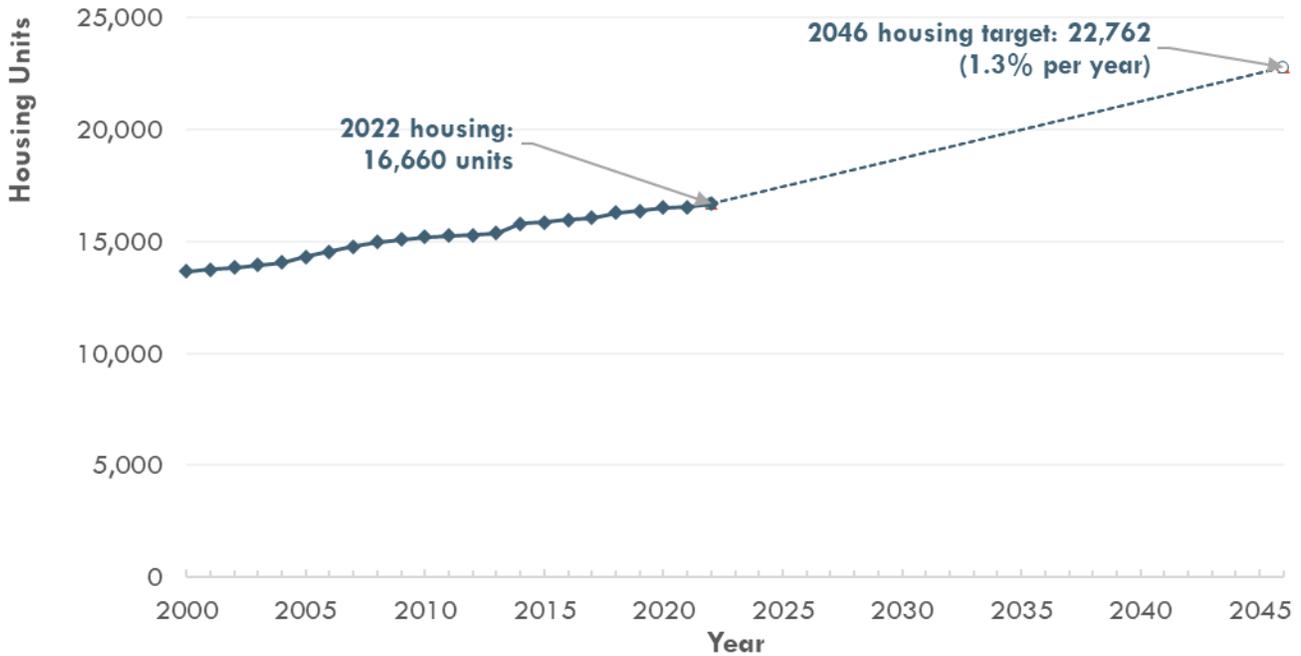


Sources: Census ACS 5-Year Estimates 2020; City of Wenatchee, 2023; OFM, 2023; BERK, 2023.

## Progress Towards Meeting Housing Needs

Exhibit 30 presents historic housing growth in the Wenatchee Urban Area as well as its total housing growth target for 2046.<sup>27</sup> Between 2016 and 2022, the area gained about 126 net new units each year.<sup>28</sup> To reach its target of 22,762 total housing units by the year 2046, Wenatchee needs to produce an average of 241 net new housing units each year.

**Exhibit 30. Housing Production Trend and Target, City of Wenatchee and UGA Combined**



Sources: OFM, 2023; City of Wenatchee, 2023; BERK, 2023.

In addition to increasing the rate of housing production overall, Wenatchee needs to increase the production of housing types that can support meeting housing needs at each income level identified in Exhibit 30. Exhibit 31 summarizes production trends in the Wenatchee Urban Area by housing type and compares these to annual unit need by affordability level. This comparison is consistent with Commerce guidance for addressing “adequate provisions” requirements in comprehensive plan housing elements updates.<sup>29</sup>

The first two columns of Exhibit 31 summarize Wenatchee’s allocation of projected housing needs shown previously in Exhibit 28. Then these housing needs are then related to the types of new housing products that have the best potential to serve those needs. For example, housing needs for low-income households (0-80% MFI) can be most cost effectively addressed in low-rise or mid-rise multifamily apartment

<sup>27</sup> To calculate this 2046 target, BERK added the preliminary allocation of 6,275 units to the total number of units in 2020, as estimated by OFM 16,487.

<sup>28</sup> This calculation accounts for demolished units during this timeframe.

<sup>29</sup> See [Guidance for Updating Your Housing Element](#) (Commerce, 2023) Chapter 4 Adequate Provisions.

buildings, or sometimes in accessory dwelling units (ADUs).<sup>30</sup> Next, we aggregate projected housing needs by housing type and present average annual production targets. We compare these production targets to data about actual average annual production of each housing type from 2016-2022. In cases where there is a shortfall of annual production compared to annual need, this indicates possible barriers to housing development that could prevent the city from meeting its growth targets by income level.

**Exhibit 31. Production Trends by Housing Type Compared to Need by Income Level**

Income Level (% MFI)	Net New Housing Need (2020-2046)	Housing Types with Potential to Serve These Needs	Aggregated Housing Needs	Average Annual Need (2020 - 2046)	Average Annual Production of Housing Type (2016-2022)	Shortfall of Production Compared to Need?
0-30% PSH	548	Low-Rise, Mid-Rise, & ADUs	3,405	131	60	Yes
0-30% Other	752					
>30-50%	1,057					
>50-80%	1,048					
>80-100%	509	Moderate Density	975	38	10	Yes
>100-120%	466					
>120%	1,895	Low Density*	1,895	73	56	Yes*
<b>Total</b>	<b>6,275</b>		<b>6,275</b>	<b>241</b>	<b>126</b>	

\*Note: While production trends indicate the Wenatchee Urban area is producing less detached single-family homes than needed to meet its allocation for >120% MFI housing, it is expected that some of the new moderate density housing produced will only be affordable to households with incomes >120% MFI. For example, Exhibit 26 shows that as of 2023, median sales price for townhomes in Wenatchee was affordable at 129% MFI. Therefore, Wenatchee may wish to aggregate moderate-income (80-120% MFI) and above moderate-income (>120% MFI) housing needs and take actions to ensure there is sufficient capacity for moderate density housing production to meet these combined needs.

Sources: City of Wenatchee, 2023; OFM, 2023; BERK, 2023.

Based on this analysis, it appears there are barriers to sufficient production for all housing types. The following chapter, [Analysis of Redevelopment Potential](#), includes a discussion of several barriers with an emphasis on low-rise, mid-rise, and middle housing types within established urbanized areas. Due to the scarcity of vacant developable land in the city, nearly all of Wenatchee’s future growth will need to occur through infill and redevelopment.

While Exhibit 31 implies there has been insufficient low density (detached single family) housing production to meet demand for higher-income (>120% MFI) housing options, BERK’s analysis of affordability of housing as of 2023 indicates that some of the new moderate density housing produced will only be affordable to households with incomes >120% MFI. For example, Exhibit 24 shows that as of

<sup>30</sup> This doesn’t mean that every new apartment building will be affordable below 80% MFI. Rather, it means the most feasible format for affordable housing production at the scale needed in Wenatchee is low- or mid-rise apartments. This is discussed in more detail in Land Capacity Analysis Recommendations below.

2023, the median sale price for townhomes in Wenatchee was affordable at or above 129% MFI. Therefore, Wenatchee may wish to aggregate moderate-income (80-120% MFI) and above moderate-income (>120% MFI) housing needs and take actions to ensure there is sufficient capacity for moderate density housing production to meet these combined needs. This will also address the fact that it is likely Wenatchee does not have sufficient capacity for detached single family housing development to meet its 1,895 target for high-income housing. We will return to this theme in the *Land Capacity Recommendations* chapter.

Note that Exhibit 31 does not consider the actual affordability of homes produced. For instance, it is unlikely that new market rate apartments will be affordable below 80% MFI. Between 2017 and 2023, Wenatchee saw the production of only 93 new income-restricted affordable units.<sup>31</sup> That is about 16 units per year, compared to an average annual need of 131 net new units. Therefore, Wenatchee will also need to consider adequate provisions and funding gaps to address shortfalls in affordable housing production for low-income households. We will discuss this issue in the in the [Recommendations for Adequate Provisions](#) chapter.

## Analysis of Redevelopment Potential

Wenatchee has very few vacant lots zoned for new housing development. Instead, nearly all of Wenatchee's growth over the next 20 years will need to occur in already developed areas. This type of new housing production typically occurs as either infill or redevelopment. Infill projects build additional housing on parcels with lower density development. For example, adding accessory dwelling units (ADUs) on a lot with an existing single-family home, or building affordable housing on a church parking lot. Redevelopment typically refers to projects where older buildings are demolished to make way for new and higher density development. Examples include replacing a small single-family home with four townhomes or replacing an old strip mall with a new apartment building.

Given the challenges associated with both infill and redevelopment projects, the City of Wenatchee requested that BERK evaluate the potential for infill or redevelopment within eight residential and mixed-use zones that allow for multifamily housing development (see map in Exhibit 1). This evaluation included several components. First, we analyzed housing permit trends to identify infill and redevelopment projects and the characteristics of parcels where those projects occur. We also interviewed four multifamily housing developers who have completed projects in Wenatchee to learn about challenges they encountered along the way. Next, we identified four common middle and multifamily housing products that could potentially be built in a city like Wenatchee. We then modeled the financial feasibility of each housing type in each relevant zone based on Wenatchee's current (2023) market conditions, construction costs, development regulations, and development fees. This chapter reports on the results of this analysis. BERK's recommendations for improving redevelopment potential are included in the final chapter of this report: *Recommendations for Adequate Provisions*.

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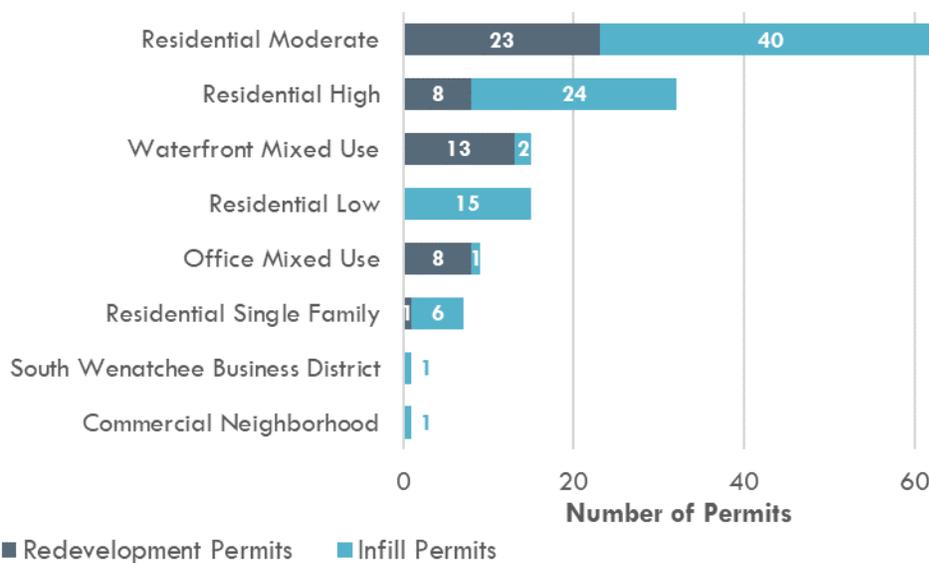
<sup>31</sup> Source: City of Wenatchee, 2023. See Exhibit 18 for details.

## Infill and Redevelopment Trends in Wenatchee

BERK analyzed City of Wenatchee residential building permits issued from July 2017 to September 2023. Exhibit 32 summarizes all permits that involved either redevelopment or infill. For this analysis, “redevelopment” was defined as any permit on a parcel where a demolition also occurred. “Infill” is defined as any permit on a parcel that had at least \$10,000 in assessed improvement value as of 2016 (before the permit was issued), exclusive of permits with associated demolitions.

During this period there were a total of 53 redevelopment permits and 90 infill permits. Both kinds of permits were most common in the Residential Moderate (RM) zone, although there was also significant activity in Residential High (RH) and Waterfront Mixed Use (WMU). There were no permits for housing in the Central Business District (CBD), North Wenatchee Business District (NWBD), or Residential Mixed Use (RMU) district.

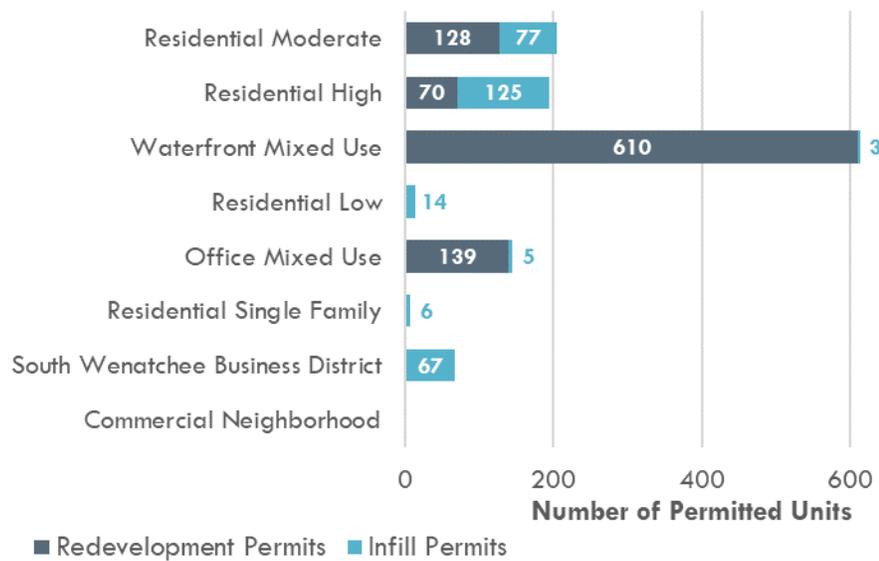
**Exhibit 32. Housing Permits Associated with Redevelopment and Infill by Zone, July 2017 – Sept. 2023**



Sources: City of Wenatchee, 2023; BERK, 2023.

Exhibit 33 shows the same permit data but summarizes the number of permitted units instead of a count of permits. Due to a few large-scale apartment projects under construction, WMU has the greatest number of permitted units. In total there were 949 units on redevelopment permits and 297 units on infill permits.

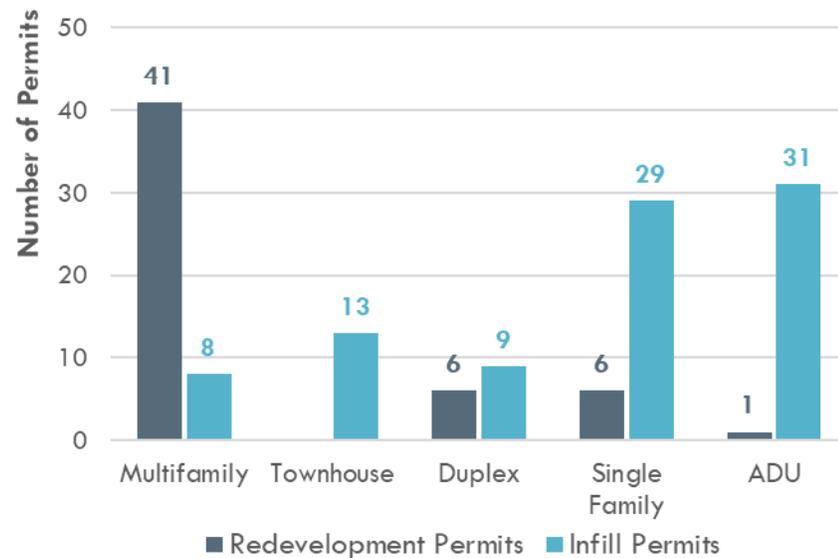
**Exhibit 33. Permitted Units Associated with Infill or Redevelopment, July 2017 – Sept. 2023**



Sources: City of Wenatchee, 2023; BERK, 2023.

Exhibit 34 presents all redevelopment and infill permits by housing type. Nearly all redevelopment permits were for multifamily projects with three or more units in the building. Most infill projects were for single family homes or accessory dwelling units (ADUs).

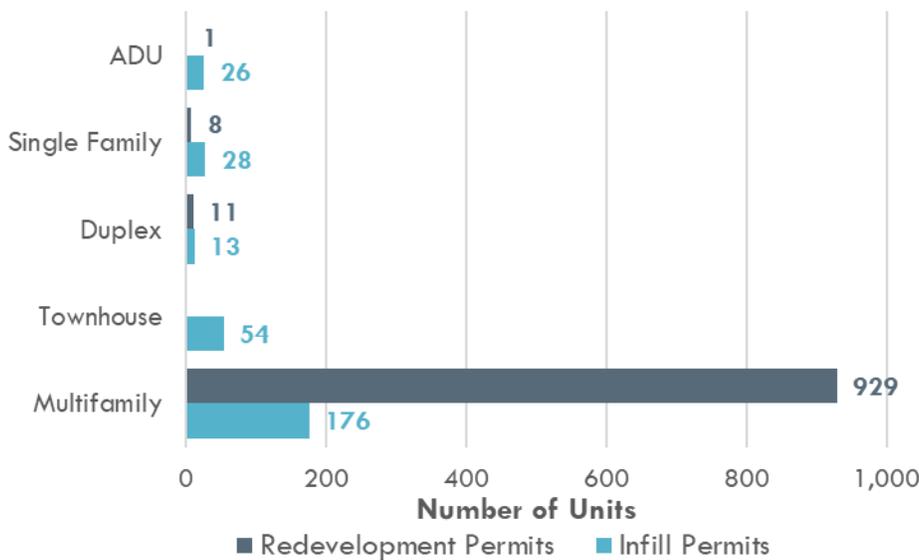
**Exhibit 34. Permits Associated with Infill or Redevelopment by Housing Type, July 2017 – Sept. 2023**



Sources: City of Wenatchee, 2023; BERK, 2023.

Exhibit 35 shows the total number of units associated with redevelopment or infill permits, by housing type. On a unit basis, multifamily accounts for most new redevelopment and infill housing in Wenatchee.

**Exhibit 35. Units Associated with Infill and Redevelopment Permits by Housing Type, July 2017 – Sept. 2023**



Sources: City of Wenatchee, 2023; BERK, 2023.

## Summary of Developer Interviews

BERK interviewed three multifamily housing developers with experience building projects in Wenatchee. Each represented a relatively small business that focuses on residential projects in or around the Wenatchee area. The discussions focused on challenges and opportunities associated with building multifamily housing in Wenatchee. Key takeaways from these interviews included:

- **High costs have significantly impacted the feasibility of development.** Inflation of the cost of building materials and labor, combined with higher interest rates, has led to higher construction costs. Subcontractors have also substantially increased their rates. As a result, where only higher-end apartments (with relatively higher rents), are financially feasible to build. Smaller developers are particularly challenged to create feasible project opportunities in this market.
- **Available land can be a challenge.** The supply of developable land is tight, and many developers are being selective in the properties they choose for new projects given the scarcity and high prices. In some cases, these developers have mentioned that they have relied on personal connections to find appropriate sites for use.
- **Changes in the Multifamily Tax Exemption (MFTE) Program may make it infeasible for use.** Over the past decade, the eight-year MFTE has supported an increase in development activity. However, interviewees felt that recent changes to require affordable units will significantly impact feasibility in the current market and potentially reduce this tool's impact for encouraging new development.
- **Challenges with consistency in the Building Division have added frustration to the development process.** While developers were relatively complimentary of City planners, some expressed frustration with the building regulation processes, specifically inconsistencies in the way that regulations and oversight are being applied. This has added uncertainty to the building process for some developers, including unexpected delays to project timelines, and increases in holding costs.

- **Uncertain costs with infrastructure improvements and connections have also been a concern.** There have been some uncertain costs associated with servicing new developments, including unexpectedly high charges for such things as water meters and sewer connections for projects. This has presented a challenge for developers of smaller infill projects that may face significant additional costs that were not clear before permitting.
- **Streamlining processes and increasing allowable development would be a benefit.** As expected, changing the zoning code to allow more density, flexibility with Binding Site Plans, reductions in the amount of parking required for new developments, and streamlining the permitting processes would all help to encourage greater development. Recent changes to zoning that have allowed more development has been appreciated, as have upgrades to the permitting system and new staffing in Planning.
- **Short-term vacancy rates may not be reflective of longer-term market trends.** Although reported market vacancy rates are high for Wenatchee, this has been attributed to a significant amount of new product entering the market at the same time. In the short term this has resulted in lower rents and an increase in concessions. However, developers suggested that a slowdown in new construction could result in a surge in rents after these units are leased and vacancy rates decline. Additionally, much of this new stock is higher-end housing where the rents are often too high to meet broader needs in the community.
- **Some developers have been examining alternate housing models.** While many developers have been engaged with a development model targeting higher-end housing, there also has been an effort to target rental housing that could support smaller units with congregate/shared living. This type of housing product may attract younger professionals that do not need significant space and are looking for lower rents and/or communal living arrangements.
- **Developers see private development as a public benefit.** In our interviews, there was a concern that building more housing is not seen as a public good and a priority for the City and the public. Developers identified the need for additional public investment to make development more feasible. The perception from the public that incentives are simply providing greater profits to developers, some of which may not be from the community, is harmful to the goal of building affordable housing.

## Current Incentives for Multifamily Housing Production

### Multifamily Tax Exemption Program

Wenatchee has a multifamily tax exemption (MFTE) program to encourage multifamily housing production with and without affordable housing. These programs offer an eight- or 12-year exemption from property taxes on housing-related improvements that meet certain requirements. All projects must have at least four units and be within a defined [target area](#). To receive the 12-year exemption, at least 20% of units must be affordable to income-qualified low- and moderate-income households.<sup>32</sup> Prior to fall 2023, the eight-year exemption included no affordability requirements. However, the City recently

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<sup>32</sup> In this program, a low-income household is defined as having an income of 80% MFI or below. A moderate-income household is defined as one with income between 80% and 115% MFI.

adopted amendments to eight-year exemption requiring a minimum of ten units and 10% affordable units to residents in the low to moderate MFI range.<sup>33</sup> Projects between four and nine units can still use the 12-year exemption.

As noted above, some developers have expressed concerns about the change to the eight-year option to now require units with affordability restrictions. Although current (2023) market rents in newer apartment buildings are less than the required rent level for a moderate-income household (115% AMI), most market-rate developers are nonetheless unfamiliar and uncomfortable with the need to confirm income qualification and are concerned about limiting rental income potential as market rents increase in the future.

## Development Fee Waivers for Affordable Housing

[WCC 1.99.040\(5\)](#) provides development fee waivers for affordable housing projects. However, there are additional requirements that significantly restrict what kinds of developers and projects can take advantage of this waiver. The requirements include limitations on the income of the applicant and that the development includes “sweat equity.” This reduces the applicability of this waiver for larger multifamily rental housing projects where sweat equity is not typical and may not be feasible.

## Impact Fee Waiver for Affordable Housing

[WCC 15.02.040\(6\)](#) states that “any applicant for the construction or creation of low-income housing may request an exemption of 80 percent of the required impact fee for housing units subject to the criteria of this chapter. (Ord. 2019-41 § 1; Ord. 2011-02 § 1)” The City defines low-income housing as housing affordable to a household at 80% MFI, as per RCW [82.02.060](#).

# Feasibility Analysis for Typical Multifamily Products

## Overview

A challenge when developing effective policy options for encouraging housing production is in understanding how any incentives and code changes would be seen in the private market. Achieving certain goals with housing production and affordability through incentives can be impeded if these approaches are not effective in providing increases in financial returns in practice. For example:

- An incentive could be paired with voluntary obligations that would have requirements which would be too expensive for a developer or a landowner to meet. For example, affordable housing requirements paired with one-time fee reductions are often impractical for new market-rate projects.
- Some incentives, if poorly calibrated, may not provide a financial benefit to developers. For example, increases in height limits past 80 to 90 feet could appear to be a significant benefit, but increased building costs, lower relative land costs, and achievable market rents would make it impossible to build taller buildings that would “pencil out.”

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<sup>33</sup> See [WCC 5.88.050](#).

- Even if an incentive is provided free and clear, it may also not be significant enough to change developer behavior. For example, “fast tracking” permits or providing reductions in smaller fees may be appreciated by developers but would not likely change their investment decisions.

When evaluating the effects of certain programs, we rely on financial modeling to assess the value of a potential project to a developer. Our method evaluates the construction costs and net operating income of a project to provide two different perspectives:

- A **pro forma model** is used to evaluate the income stream after a project is stabilized, which can provide a perspective on the financial returns from the asset in any one given year, typically with a “yield-on-cost” measure (net operating income divided by project cost).
- A **discounted cash flow model** is used to indicate how the project will provide returns over a given hold period and upon sale at the end of that hold period. This is often used to calculate the “internal rate of return,” or the expected net return on the project over time, factoring in upfront costs, net operating income, loan service, taxes, and final sales. This indicates how the project will perform as an investment asset over a fixed period of years.

Both approaches are used to consider different behaviors present in the market, as well current uncertainties about rents, interest rates, construction and land costs, and other factors. Typically, a standard pro forma model is useful in understanding the value of a project intended to be held over the long term, while the discounted cash flow is better to evaluate time-dependent incentives (e.g., a property tax exemption program).

## Scenarios and Assumptions

Using financial modeling, we evaluate four different scenarios based on current and potential market conditions and policies:

- A plex development with surface parking in the Residential Medium (R-M) zone.
- A wood-frame mid-rise apartment in the Residential High (R-H) zone.
- A “five-over-one” mixed-use residential/ commercial building in the Residential Mixed-Use (RMU) zone.
- A “five-over-one” mixed-use residential/ commercial building in the North Wenatchee Business District (NWBD) zone.

These four scenarios generally represent the scale and nature of development in other zones across the city across both residential and mixed-use districts. In all cases, these scenarios are evaluated to determine the most optimal development program based on changing the amount of development included on the site and the configuration of parking (e.g., surface, structure, underground).

## Summary of Results

A full description of the model outputs provided as part of this analysis are given in a separate appendix *Redevelopment Potential Analysis Methodology*. From this work, there are several significant findings to consider as part of policy development.

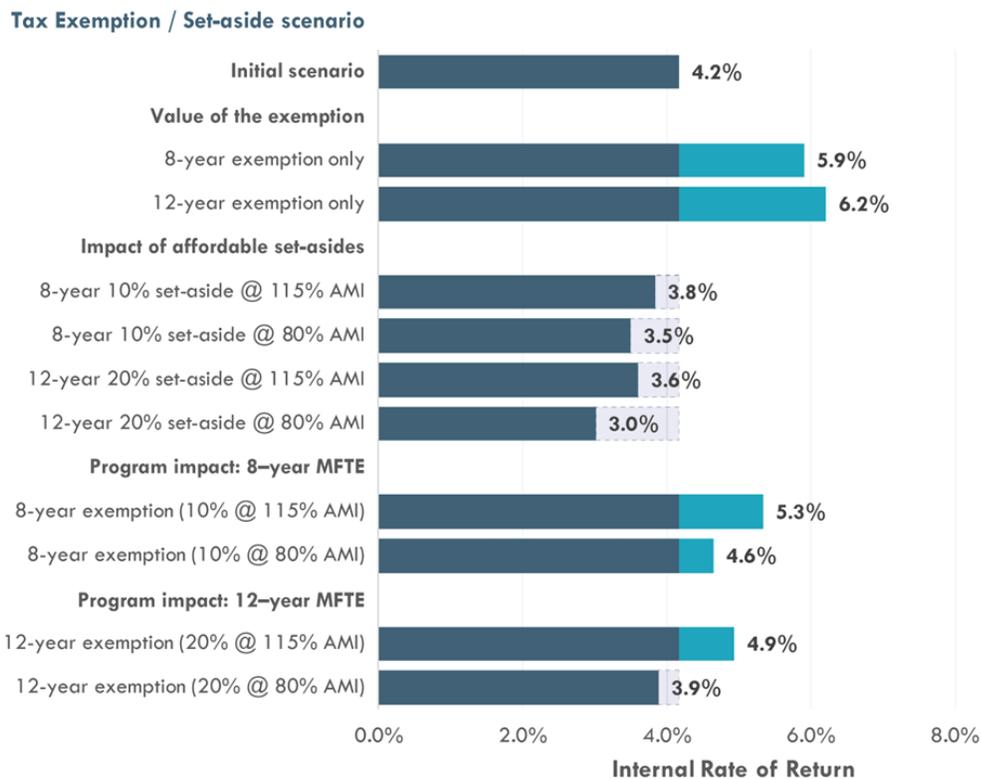
### Multifamily Housing Tax Exemption

The City’s MFTE program under [Chapter 5.88](#) WCC was evaluated to consider how the current eight- and 12-year options would be seen by developers, and what would be the most appropriate options to choose to achieve housing policy goals. Exhibit 36 highlights how the internal rate of return from the discounted cash flow model changes across different components of an MFTE program as the result of:

- The tax exemption itself (for eight and 12 years).
- The reduced revenue from different set-asides of income-restricted housing (10% and 20% of total units at 80% and 115% AMI, representing housing affordable to low- and moderate-income households).<sup>34</sup>
- The net impact of combining these incentives through an MFTE program.

This assessment assumes high-level overhead included as operating expenses over time for income verification for residents of income-restricted units. Note that this analysis does not include a potential 20-year MFTE option, given the focus on owner-occupied housing and the need for third-party administration of these units, nor does it discuss the 12-year extension option, which would involve existing projects and not new construction.

**Exhibit 36. Assessment of MFTE Program Options in Wenatchee (R-H scenario)**



<sup>34</sup> Note that requirements under RCW [84.14.020\(1\)\(A\)\(ii\)\(b\)](#) that require units to be affordable to “low- and moderate-income households” have been interpreted by the Department of Commerce to mean that at least one income-restricted unit in an exempted property must be provided as affordable for low-income households. In these cases, the net impact of the City’s requirement under WCC [5.88.015\(1\)](#) would be between these results, depending on the scale of the project.

Generally, the findings from this assessment include the following:

- **Benefits from tax incentives.** Under the scenario discussed, the feasibility of the project increases by a notable amount from a tax exemption alone. From the base return of 4.2%, the exemption increases this to 5.9% for an eight-year exemption, and 6.2% for a 12-year exemption. Because these benefits can represent deferred taxes over time, the net impacts on rates of return are more significant than up-front fee waivers and reductions. Note however that there is only a marginal increase in feasibility between the eight- and 12-year exemptions.
- **Impacts of providing affordable housing.** Under the assessment of set-asides, the obvious result here is that requirements to provide greater levels of affordability over longer periods will result in more significant effects from reduced rental revenue. Note in this case, however, that the magnitude of these impacts is strongly affected by the current expected market rents for these units. In cases where market rents are closer to affordable rents at 115% AMI, these calculations suggest that the eight-year requirements would result in a reduction of 0.4–0.7% in returns, while the 12-year requirements would result in a 0.6–1.2% reduction.
- **Comparisons between the MFTE options.** While extending out the length of time of the exemption under the 12-year option may be an increase to benefits, the actual impacts to returns are small given how long in the future these benefits would be received (e.g., years 9 to 12). As this is exchanged for an additional 10% of units set aside as affordable in the future over the eight-year option, this can result in reduced revenue in the short-term for less certain benefits in the future, often past the hold period of certain projects. Because of this, it is rare that developers will independently choose the 12-year option without some other rationale, such as other requirements that would need to be fulfilled separately (e.g., Low-Income Housing Tax Credits or other affordable housing programs).
- **Tax shifting.** One separate note here is that due to the processes used by County assessors for valuation and the levy lid limits for taxing districts, the obligation for paying for the exemption itself may be passed in part or whole to the rest of the property taxpayers in individual tax districts. This can be a consideration for wide-scale application of the program, and can also be a concern for residents and property owners that may object to tax subsidies of development projects in the private market.<sup>35</sup>
- **Other considerations.** Under this scenario, the benefits of MFTE appear to be enough to take the incentive but are not sufficient to meet likely requirements for a feasible project in the market. Additionally, there may be other reasons outside of financial feasibility that developers would not want to include income-restricted housing within their projects, ranging from perceptions of lower-income households to an unwillingness to coordinate income verification and other administrative steps. Finally, including affordable units can contribute to uncertainty about project performance over the longer term thus reducing the incentive for a developer to participate.

Overall, the City must consider its housing goals with respect to how to manage this program:

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<sup>35</sup> For more information, see the [“What is Tax Shift?”](#) factsheet from the WA Department of Commerce.

- If multifamily housing production is generally lagging in the city, providing a tax exemption incentive with no obligations for affordable housing can boost the benefits to developers and potentially encourage more projects.
- In cases where development is proceeding along and would be profitable regardless of the incentives, including a requirement for income-restricted housing can help the City to meet its housing goals and support lower-income households.

### *Maximum Density and Parking*

When considering the amount of housing that can result from projects in certain areas, there are usually two limitations that can result in less housing than what would be allowed under building envelope requirements:

- Maximum residential densities (WCC [10.46.020](#)), which limit residential districts to a certain number of units per acre.
- Off-street parking requirements (WCC [10.60.080](#)), which mandate a certain number of off-street parking spaces (typically provided on-site) per housing unit.

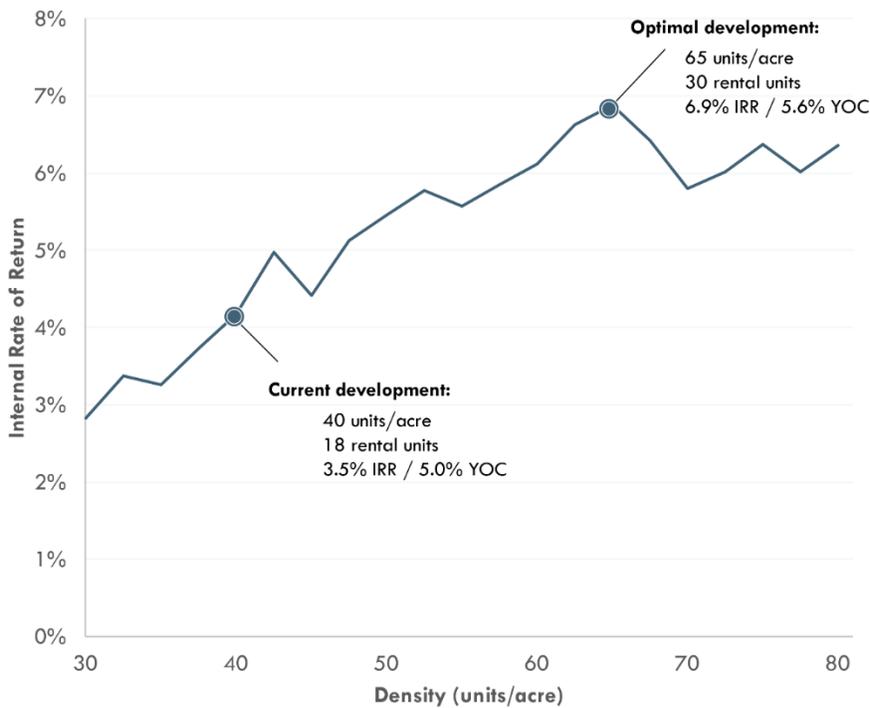
While recent legislation has changed the consideration of both factors,<sup>36</sup> most notably in areas that are close to transit and in lower-density residential areas, changing parking requirements in other areas can also provide significant benefits to feasibility and housing yields.

Exhibit 37 highlights how the feasibility of development can change as the density of development increases. This highlights the most efficient types of development and indicators of feasibility between 30 and 80 units per acre. This also highlights the differences between the currently allowed density of 40 units per acre, and the changes in feasibility associated with the maximum rates of return under this model at about 65 units per acre.

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<sup>36</sup> See for example recent changes under [HB 1110](#) and [HB 1337](#), as well as minimum residential parking requirements under RCW [36.70A.620](#) revised in 2020 that reduced parking for multifamily housing serving very low- and extremely low-income households, seniors, people with disabilities, and residents of areas with frequent transit service. Note that these may be adjusted in areas where insufficient off-site parking is available, so final parking requirements in development regulations may be uncertain.

**Exhibit 37. Changes in Rates of Return from Changes in Allowable Density under R-H Zoning**



Source: BERK, 2023.

Note that part of the reason for this change in feasibility is due to the impact of land prices per unit on development costs. Increasing the number of units on a site by 63% will reduce these costs by about 38%.<sup>37</sup> Additionally, this can also allow for additional development which would not be limited by other potential cost thresholds, including:

- Meeting parking requirements with parking spaces in surface or underground garages.
- Extending development to higher floors which would cost more per square foot, such as with “5-over-1” buildings with wood-frame construction above a concrete base.
- Providing external or internal open space for recreation.

For many areas within the R-H zones, however, denser projects could be built that would still fit within open space, parking, and building envelope requirements but would make more use of available land.<sup>38</sup> Providing more density while maintaining other development requirements can provide the option to developers to build more housing on the same amount of land.

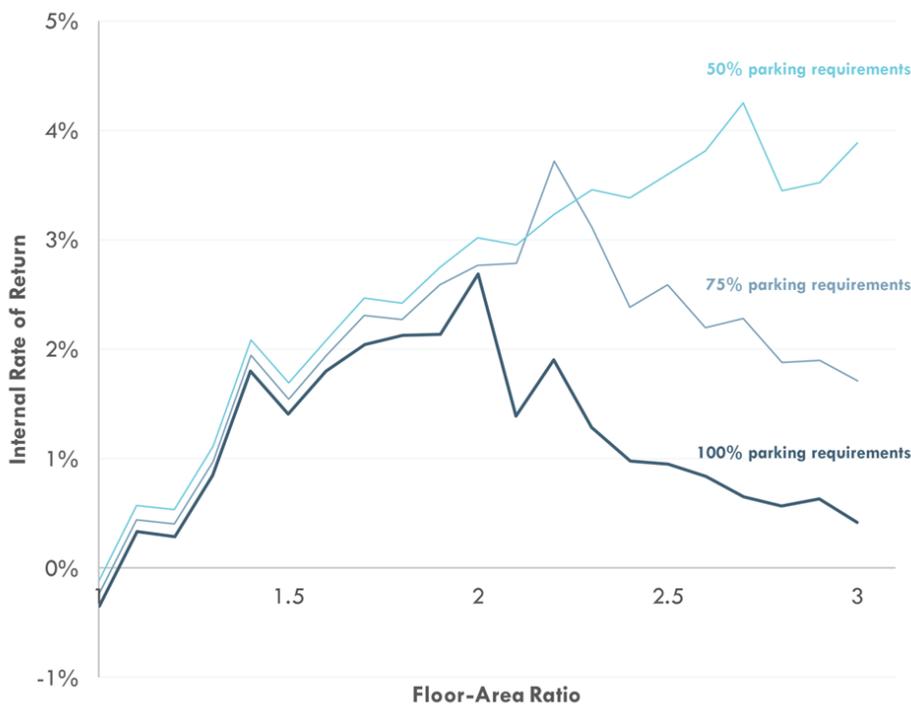
<sup>37</sup> Some of the feasibility benefits may be temporary as the land market adjusts accordingly, but this would make development by existing owners and developers that are banking land more feasible in the shorter term and would provide more options for housing developers to build larger projects in these areas over the longer term.

<sup>38</sup> Note that there may be other reasons for developers to sites (e.g., site limitations, concerns about costs of four- to five-story wood frame construction, etc.), and density requirements may be less consequential in cases where larger units are more marketable (e.g., two- and three-bedroom units). These options should also be taken into account when understanding how developers could build projects under increased densities.

Another important consideration here is with respect to the amount of parking required for projects. While there is often an effective lower limit imposed in the market,<sup>39</sup> reducing the amount of parking can provide benefits to development feasibility as it allows for larger buildings to be built without requiring more expensive parking solutions in surface and underground garages, or for less internal parking to be built if required.

This can be critical in areas where there are no density limitations, and achievable densities often result from the most efficient use of the site. Exhibit 38 highlights how financial returns for projects change as parking requirements change under the requirements for North Wenatchee Business District (NWBD) zoning, where the standard parking requirements (one space for studios and one-bedrooms, two spaces for larger units) are reduced to 75% or 50% for individual scenarios. For each scenario, the floor-area ratio (FAR) as-built is changed to highlight how developers may underbuild with respect to available development capacity under zoning.

**Exhibit 38. Changes in Rates of Return from Changes in Parking Requirements and FAR under NWBD Zoning**



Source: BERK, 2023.

From the results, higher intensities of development and higher returns would be more likely when parking requirements are reduced. Reducing the parking requirements to 75% of the current minimums can increase the feasibility of larger projects, and increase the intensity of development by around 10%. Further increases could even result in optimal developments that are 30% larger with higher feasibility under this scenario.

<sup>39</sup> Loan underwriters will often challenge developers that would provide parking below what would appear to be reasonable for a project. If there is a lack of necessary parking for residents, this can provide increased investment risk resulting from lower cash flow, due to lower occupancy rates and potential rents.

These results highlight two main takeaways:

- **Housing density limitations may be set too low in some cases.** Zoning requirements that rely on density may result in underbuilding according to other development requirements. Denser and more feasible development can potentially result from increasing these limits and allowing for more dense formats, or even regulating by building envelope alone without housing density limits.
- **Parking reductions can help to build larger, more feasible projects.** If parking requirements are reduced, this allows more of a parcel to be used for a building, and in cases where parking needs to be accommodated internally, less of the building needs to accommodate parking. This allows for higher-density projects, especially in cases where it can reduce the per unit cost of internal parking.

### *Other Considerations*

Based on the findings of the analysis there are other considerations involved with potential policy changes:

- **Other affordable housing incentives currently available are often not suited for market-rate housing.** For other incentives such as waivers of impact fees or development fees specifically for affordable units,<sup>40</sup> the incentives provided are typically small, upfront benefits exchanged for affordability requirements. While these provisions in the City Code do not indicate the required length of these affordability requirements, they are usually considered long-term or permanent limitations under a contract or covenant.<sup>41</sup> Because of this, these benefits are not feasible for market-rate projects unless there are other requirements for affordability involved.
- **Incentive programs to provide affordable housing are possible but will reduce yields of market-rate housing.** There is the potential for the increases in density and/or parking reductions envisioned under Exhibits 37 and 38 to be leveraged through a bonusing program such as what would be permitted under RCW [36.70A.540](#). As per RCW [36.70A.540\(2\)\(b\)](#), this would require that these incentives be used for rental housing affordable at up to 80% AMI, and owner-occupied housing affordable at up to 100% AMI, with these units maintained as affordable for 50 years. While changing the set-asides of affordable units and benefits from these incentives could create a program that may provide some additional affordable units, this may be at the expense of higher yields of market-rate housing.

See *Land Use Strategies to Support Meeting Housing Targets* later in this report for specific recommendations to support more multifamily housing development in Wenatchee, including redevelopment and infill projects.

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<sup>40</sup> See WCC [1.99.040\(5\)\(b\)](#) regarding development fee waivers and WCC [15.02.040\(6\)](#) for impact fee waivers.

<sup>41</sup> See for example the requirements under RCW [82.02.060\(4\)\(a\)](#) that require a covenant that preserves affordable housing units under a waiver, and requires repayment of the waiver if these units violate affordable housing requirements.

# Land Capacity Analysis Recommendations

Current Growth Management Act (GMA) guidance requires jurisdictions to ensure their comprehensive plan housing elements and related development regulations provide sufficient land capacity to accommodate their allocated housing growth targets at each income level. This chapter provides recommendations for Wenatchee’s land capacity analysis methodology. It also identifies which zones have potential to support housing needs at each income level, consistent with Commerce guidance for housing element updates.<sup>42</sup> For detailed instructions on how to execute a land capacity analysis, see Commerce guidance.

## Criteria for Determining Parcel Development Status

Commerce’s guidance for land capacity analysis indicates that jurisdictions are responsible for setting criteria and thresholds for determining the development status of all parcels zoned for residential and mixed use.

- **Pipeline** parcels already have a permit application and therefore are anticipated to be developed during the planning period. These parcels are excluded from land capacity calculations, but Wenatchee can count the permitted units on these parcels towards their total capacity, as described in Commerce guidance.
- **Vacant** parcels are those with no structures or minimal improvement value.
- **Under-developed** parcels are those that have potential to be redeveloped because the current number of units or improvement value is significantly less than the potential based on current zoning.
- **Partially-utilized** parcels have an existing structure (typically a single family home) but are large enough in area to be subdivided to add additional developable lots. These are places where infill development could potentially occur.
- **Developed** parcels are already developed and do not meet the criteria of any of the above categories.

Below we provide additional guidance for identifying partially-utilized parcels that may see infill development as well as under-developed parcels that could see redevelopment.

## Identifying Partially-Utilized Parcels with Infill Potential

The following approach can be used to determine parcels with the potential to accommodate infill projects:

1. Select all parcels with single family home as the land use.
2. Compare the lot size to the minimum lot size for the zone it is in. Select all parcels where the lot size is greater than three times the minimum lot size.
3. Exclude from this set all parcels with critical areas that would prevent development.

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<sup>42</sup> See [Guidance for Updating Your Housing Element](#) (Commerce, 2023) Chapter 3 Land Capacity Analysis.

While a parcel that is only double the minimum lot size could technically be subdivided, in many cases the site design and parcel geometry would make this difficult. For example, there would likely be a house located on the middle of the parcel or in another location making the severance of a new parcel challenging, meaning that creating a new parcel would require demolishing the house. Therefore, we recommend selecting only parcels that are at least three times the minimum lot size.

If a parcel that meets the criteria for partially utilized also meets the criteria for underutilized (discussed below), then consider the parcel to be under-utilized for the purpose of land capacity analysis.

## Identifying Underutilized Parcels with Redevelopment Potential

Any method for identifying under-utilized parcels must use the best available data to compare the intensity of development currently on the parcel to the intensity of development allowed under current zoning. Commerce guidance identifies two methods for doing this: development capacity ratio and improvement to land value ratio. Unfortunately, both of these methods have limitations for application in Wenatchee. Therefore, BERK is recommending a different approach altogether. But first, we explain why the two methods recommended by Commerce are not suitable in Wenatchee.

### *Development Capacity Ratio*

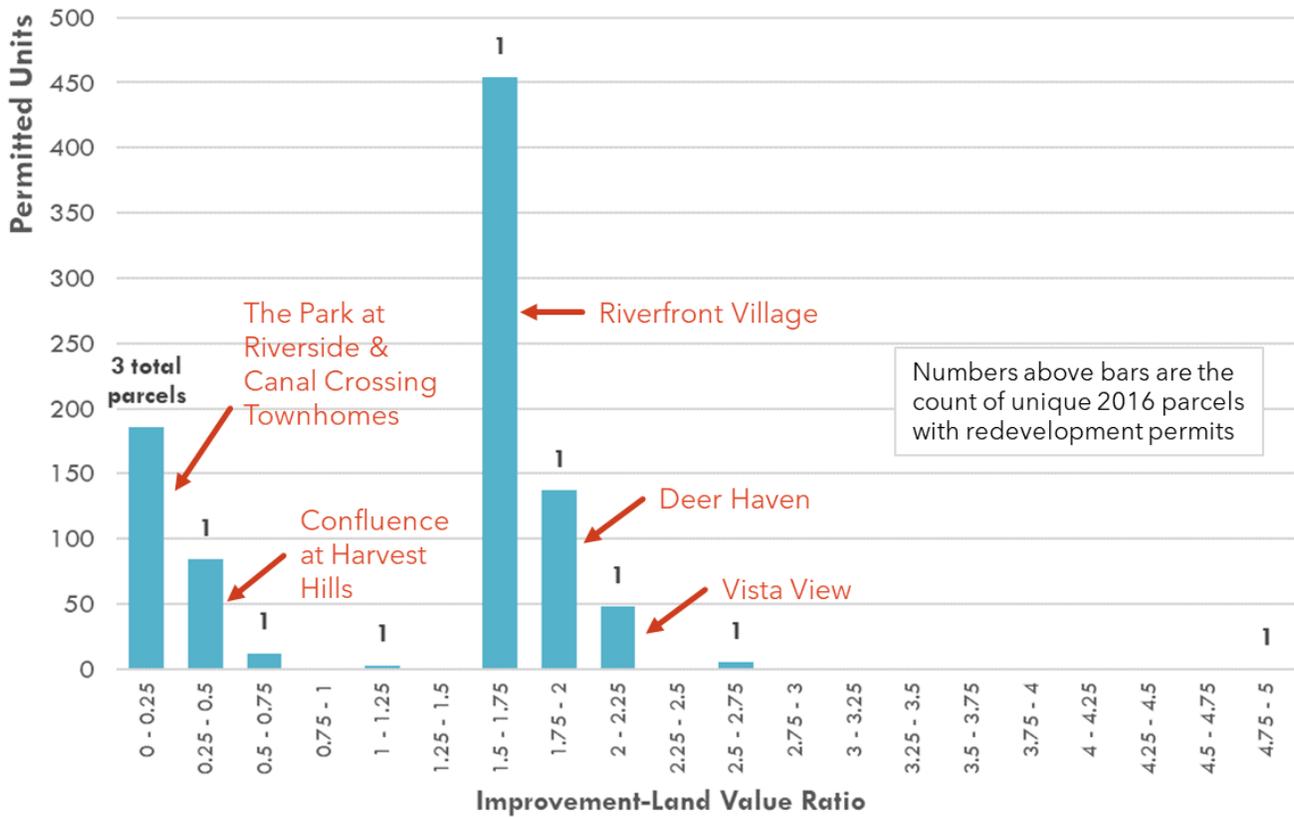
This approach involves comparing the current number of housing units on a parcel to the total potential housing unit capacity of the parcel under current zoning. If that ratio is under a set threshold, such as 0.5, then the parcel could be considered under-utilized and therefore redevelopable. However, there are two challenges to implementing this approach in Wenatchee. First, many potentially redevelopable parcels have an active commercial or industrial use and therefore a residential development capacity ratio cannot be calculated. Secondly, the City does not have reliable unit counts by parcel. For these reasons, development capacity ratio is not feasible for land capacity analysis in this case.

### *Improvement to Land Value Ratio*

This approach uses data from the county assessor about the value of improvements (e.g., structures) and land for each parcel. Assessed land values typically reflect the highest and best use allowed under current zoning. So, if a parcel has a low ratio of improvement value to land value, that can indicate a developer may deem it cost effective to demolish the existing use and build more intensely on the same parcel. A typical rule of thumb is that parcels with a ratio of less than 1.0 are potentially under-utilized.

To test this concept in Wenatchee, BERK analyzed all multifamily permits associated with redevelopment to determine the improvement to land value ratio on those parcels prior to the development occurring. Specifically, we identified the parcels associated with each permit and calculated improvement to land value ratio based on county assessor data from 2016—before the permit was issued. The result, shown in Exhibit 39, indicate that much of the redevelopment in Wenatchee has occurred on parcels that had a much higher ratio than 1.0 as of 2016. This finding could potentially be related to the methodology used by the Chelan County Assessor to value the land for parcels in Wenatchee. Whatever the explanation, the findings indicate that caution should be used before applying a simple improvement to land value threshold for determining which parcels are under-utilized.

**Exhibit 39. Multifamily Units Permitted July 2017 – Sept. 2023 by the Improvement to Land Value Ratio of Associated Parcel (Redevelopment Only)**



Note: Improvement to Land Value Ratio is calculated based on the assessed value of parcels in 2016.

Sources: City of Wenatchee, 2023; Chelan County Assessor, 2016; BERK, 2023.

**Recommended Approach: Assessed Value Per Unit Capacity**

BERK recommends Wenatchee to consider a new approach to identifying residential and mixed-use parcels that are under-utilized. This approach considers the total assessed value of a parcel (both improvement and land value combined) and divides it by the total number of units that could be built on the parcel. A lower Assessed Value per Unit Capacity indicates the parcel is more likely to be feasible for redevelopment.

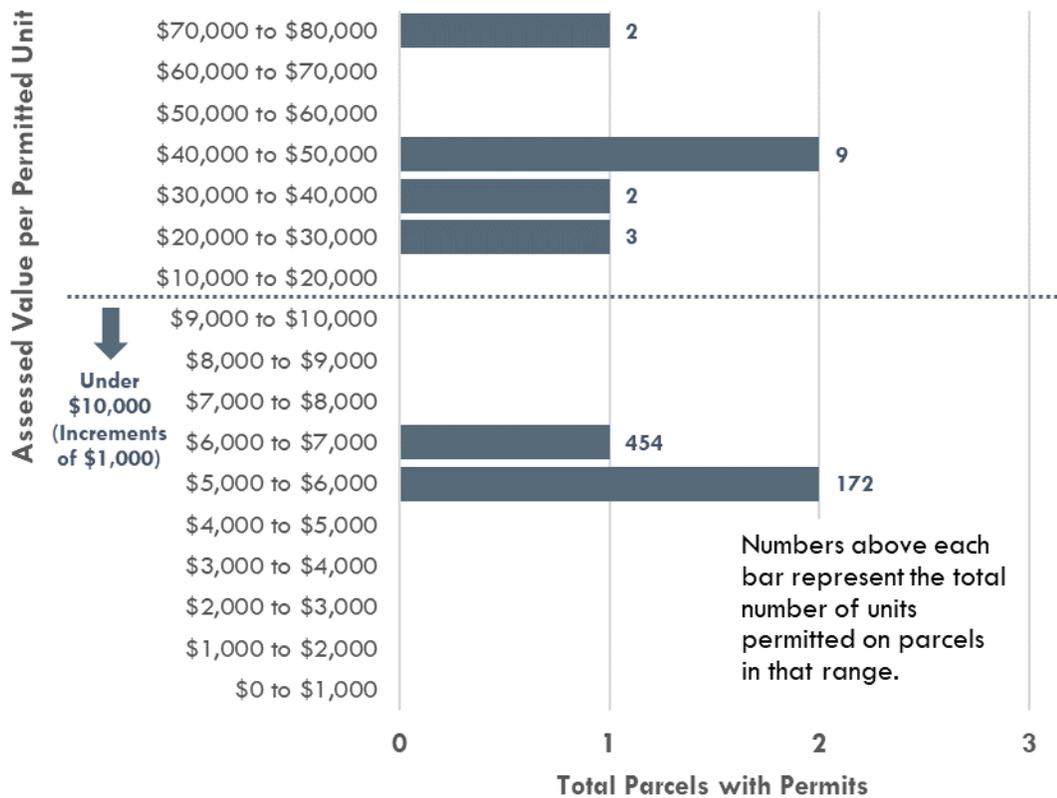
The steps for calculating this value are as follows.

1. Determine **Assumed Density** (units per acre) for each zone.
  - This could be based on zoned capacity or analysis of achieved density in recent years. The latter is preferable if the city has seen evidence that developers are not typically building out parcels to their full unit capacity when redeveloping.
  - For mixed use zones that have no units per acre density limit, use achieved density from recently permitted projects. Since development regulations are similar in the WMU, CBD, NWBD, and SWBD, achieved density in one zone could potentially be applied to the other zones.

- BERK conducted some preliminary analysis of recent permit activity to support this step. See Assumed Density Assumptions below for details.
2. Use GIS to intersect critical areas where development cannot occur with parcel layer. For each parcel, recalculate remaining (non-critical area) parcel area in acres. This is the **Developable Parcel Area**.
  3. Relate each parcel to its underlying zone.
  4. For each parcel, multiply **Assumed Density** for the zone by **Developable Parcel Area** to calculate **Unit Capacity**.
  5. For each parcel, divide the total assessed value by the **Unit Capacity**. This is the **Assessed Value per Unit Capacity**.

To determine an appropriate threshold for identifying which parcels are redevelopable in a land capacity analysis, we analyzed recent permits for redevelopment to calculate the **assessed value per unit permitted**. This analysis used 2016 county assessor data to identify the total assessed value for parcels before the housing permit was issued. Then we divided this value by the total number of units permitted on the parcel. In some instances, this required aggregating the units from multiple permits associated with a single parcel. The results are shown in Exhibit 40. Between July 2017 and September 2023 there were a total of eight parcels that have been issued permits to demolish a structure and redevelop with a multifamily building or duplex. Nearly all the units permitted were for multifamily projects on the three parcels with the lowest parcel value per permitted unit. The projects on parcels with higher values per permitted unit were much more modest in size.

**Exhibit 40. Parcels Redeveloped in Wenatchee by Assessed Value Per Unit Permitted, July 2017 – Sept. 2023**



Sources: City of Wenatchee, 2023; BERK, 2023.

Based on our analysis we recommend Wenatchee consider all parcels with a parcel value per unit capacity of \$10,000 or less to be under-utilized. While there have been examples of permits for projects that had a lower parcel value per unit, we think a \$10,000 threshold will avoid overestimating capacity.

One benefit of this approach is that it can be used to evaluate the impact of an upzone scenario on land capacity. For example, if the city chooses to allow greater density in the Residential High zone, it can recalculate the potential capacity on each parcel. If the same parcel can now allow more housing units to be developed, the assessed value per unit capacity decreases and the parcel is more likely to be considered under-utilized.

Below is the full step-by-step instructions for implementing this methodology, once parcel value per unit capacity is calculated:

1. Select all developed parcels where residential use is allowed.
2. Remove all parcels that have less than 2,000 developable square feet of area outside of critical areas or critical area buffers.
3. Remove all parcels subject to HOA restrictions that ban multifamily or more than one unit per lot.
4. Remove all parcels with year built or renovated of 2010 or later.
5. Remove all parcels where the parcel value to unit capacity ratio is higher than \$10,000.

6. Tag the remaining parcels as under-utilized.

## Assumed Density Assumptions

Since an LCA is a forward-looking exercise, Commerce guidance instructs cities to select an assumed density for future residential development in every residential zone.<sup>43</sup> This is expressed in units per acre, and the assumed density figures should consider, at minimum, maximum densities allowed under zoning along with historic trends and achieved residential densities. Cities can use recent residential permits to calculate achieved densities and compare development outcomes to zoned density.

In many cases, it is important to deduct critical areas and other undevelopable land to calculate parcel- and zone-level *net* achieved density. For this analysis, BERK evaluated residential permits since 2017 without these deductions in order to provide an illustrative look at relating recent development to zoned and assumed densities. Exhibit 41, below, shows the average gross achieved density for three zones—Residential Moderate, Residential High, and Waterfront Mixed Use. These zones saw the majority of permitted units since 2017 (roughly 83% of all permitted units).

**Exhibit 41: Achieved Gross Densities for Permits Between 2017 and 2023 in Wenatchee**

Zone	Permitted Units	Total Parcel Acres	Achieved Density (Units/Acre)	Zoned Density (Units/Acre)
Residential Moderate	118	7.12	16.6	20
Residential High	261	10.59	24.6	40
Waterfront Mixed Use	610	12.06	50.6	N/A

Sources: City of Wenatchee, 2023; BERK, 2023.

There were not sufficient permits for other mixed-use zones to directly calculate achieved density (these include Residential Mixed Use (RMU), Office Mixed Use (OMU), Neighborhood Commercial (NC), Central Business District (CBD), North Wenatchee Business District (NWBD), and South Wenatchee Business District (SWBD)). In these cases, BERK recommends identifying zones with similar development regulations that have seen sufficient development activity to calculate active density. For example, the lot coverage, building height, and parking requirements in Waterfront Mixed Use are similar to the CBD, NWBD, and SWBD zones. Similarly, Residential High shares several code characteristics with RMU and OMU zones. This approach can help create a defensible method for establishing assumed densities in zones without a sufficient amount of historical trend data.

## Additional Considerations for Mixed-Use Zones

For zones that allow mixed-use development, the City will also need to develop assumptions regarding the percentage of development capacity that will be used for commercial development and therefore not available for residential. This may vary by zone based on location and whether there are overlays or other location-based conditions that require ground-floor retail.

<sup>43</sup> At the time of publication, WAC [365-196-210\(6\)](#) states that: “Assumed densities’ means the density at which future development is expected to occur as specified in the land capacity analysis or future land use element. Assumed densities are also referred to in RCW [36.70A.110](#) as densities sufficient to permit the urban growth that is projected to occur.”

## Market Factor Assumptions

Not all parcels that this land capacity analysis identifies as having potential for development will be practically available for development, and a market factor is used to consider how the gross land capacity relates to the actual practical capacity for development. A “market factor” as used here refers to the portion of the developable land supply remaining after sites have been removed that would likely remain unavailable for development during the planning period due to site conditions, economic factors or unwillingness to develop or sell on the part of the property owner. Note that a market factor in this case does not address development limitations resulting from critical areas or infrastructure gaps.

Available Commerce guidance indicates that cities should select a reasonable market factor for vacant parcels as well as for partially-utilized or under-developed parcels that could see infill or redevelopment. It also indicates that cities should consider local circumstances when selecting this factor. As a starting point for consideration, Commerce offers the following market factors as reasonable assumptions:

- Vacant parcels: 15%
- Partially-utilized and under-developed parcels: 25%

Based on BERK’s analysis of market trends and conditions as well as the redevelopment potential analysis, we believe these default assumptions offered by Commerce are reasonable and appropriate for application in Wenatchee.

## Matching Zones to Potential Income Levels Served

Once Wenatchee has calculated the potential capacity for new housing production in each zone, the next step is to determine the relationship between the zones and the kinds of new production that can meet projected housing needs by income level. Due to differences in land and construction costs per unit, the affordability of new housing depends in part on housing type.

Exhibit 42 presents five different housing types that can be built in Wenatchee, as well as the lowest level of income that can feasibly be served assuming the new housing is either market-rate or a subsidized affordable housing project. These housing types and affordability assumptions are consistent with Commerce guidance for updating housing elements as well as BERK’s analysis of housing market conditions in Wenatchee.

The exhibit shows that some housing types are more appropriate for meeting lower income housing needs than other types.<sup>44</sup> It also shows that moderate density housing can serve a mix of different income levels, given findings discussed earlier showing that some townhomes in Wenatchee are affordable above 120% MFI.

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<sup>44</sup> Some nonprofit affordable housing developers such as Habitat for Humanity build affordable housing projects at moderate or low-density levels. However, these projects are typically very small in scale, particularly compared to the overall volume of housing need. Higher density zoning that allows for multi-unit housing types like apartments is typically necessary to support projects that make the most efficient use of subsidies by reducing the cost of new housing per unit.

**Exhibit 42. Housing Types and Potential Income Levels Served in Wenatchee**

Housing Type	Definition	Market Rate	With Subsidies
Low-Rise	Walk up apartment buildings or condominiums (up to 3 floors).	>80%-120 AMI	0-80% AMI
Mid-Rise	Apartments or condominiums in buildings with 4-7 floors (~40-85 feet in height).	>80%-120 AMI	0-80% AMI
Moderate Density	Small format multifamily housing types such as townhomes, duplex, triplex, or quadplex. Also known as “middle housing”.	>80%-120 AMI & >120% AMI	<i>Not typically feasible at scale</i>
Low Density	Detached single family homes.	>120% AMI	<i>Not typically feasible at scale</i>
ADUs	Accessory dwelling units associated with a detached single-family home.	>50-80% MFI & 80-120% MFI	<i>Not typically feasible at scale</i>

Sources: Washington Department of Commerce [Guidance for Updating Your Housing Element, 2023](#); BERK, 2023.

Exhibit 43 presents the eight zones that allow for multifamily housing in Wenatchee along with the predominant housing type that is encouraged by the zoning. It also shows the Assumed Affordability Level for Capacity Analysis, which is the lowest potential income level served in that zone based on the finding shown in Exhibit 42.

Under Commerce guidance, Wenatchee can count all the capacity in a zone towards a single income level category, as shown in Exhibit 43. However, based on historic trends, it is probable that a significant portion of the capacity in low- and mid-rise zones will be used by new market rate housing development. Therefore, the City may choose to do additional analysis to consider the proportion of capacity in some zones that is likely to be consumed by market rate housing production and therefore not likely to be affordable to lower income households. The purpose of this analysis would be to measure whether there is sufficient remaining capacity to meet low-income housing needs. With this report, BERK will provide a simple spreadsheet to demonstrate one approach to this analysis.

**Exhibit 43. Allowed Housing Types by Zone in Wenatchee**

Zone Name	Assumed Housing Type	Assumed Affordability Level for Capacity Analysis*
Residential Low (RL)	Low density	>120% MFI**
Residential Moderate (RM)	Moderate density	>80%-120 MFI
Residential High (RH)	Low-rise	0-80% MFI
Waterfront Mixed Use (WMU)	Mid-rise	0-80% MFI
Office Mixed Use (OMU)	Low-rise	0-80% MFI
South Wenatchee Business District (SWBD)	Mid-rise	0-80% MFI
Central Business District (CBD)	Mid-rise	0-80% MFI
North Wenatchee Business District (NWBD)	Mid-rise	0-80% MFI
Residential Mixed Use (RMU)	Moderate density	>80%-120 MFI

\* This column shows the lowest potential income level served assuming the availability of incentives and subsidies to support affordable housing production. Wenatchee may choose to do additional analysis to consider the proportion of capacity in some zones that is likely to be consumed by market rate housing production and therefore not likely to be affordable to lower income households.

\*\* We recommend the City conduct a separate analysis of capacity for ADUs on developed single family parcels, following Commerce’s guidance. This ADU capacity could be assumed to serve 50-80% MFI and/or 80-120% MFI.

Sources: City of Wenatchee, 2023; BERK, 2023.

In addition to the affordability level assumptions discussed above, BERK recommends assuming that Moderate Density zones can also meet the need of high-income households. For instance, if Wenatchee’s land capacity analysis shows a lack of capacity for net new single-family development to meet its allocation for high-income (>120% MFI) households, assume that excess capacity in Moderate Density zones can serve this need. BERK’s spreadsheet will show how to implement this assumption.

## Recommendations for Adequate Provisions

Current GMA guidance requires jurisdictions to make “adequate provisions” to accommodate housing production that meet housing needs at each income level. In other words, cities must do what is within their power to encourage the kinds of development that will meet housing growth targets. Per RCW [36.70A.070\(2\)\(d\)](#), adequate provisions include:

- (i) Incorporating consideration for low-, very low-, extremely low-, and moderate-income households;
- (ii) Documenting programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations;

- (iii) Consideration of housing locations in relation to employment location; and
- (iv) Consideration of the role of accessory dwelling units (ADUs) in meeting housing needs.

Exhibit 31 in the [Progress Towards Meeting Housing Needs](#) section indicates there has been a shortfall in the historic rate of housing production compared to the average annual production needs among all housing types and all income levels. This chapter summarizes BERK’s recommendations for adequate provisions that the City of Wenatchee can make to address barriers to housing production. The focus is on recommendations for multifamily, mixed-use, and income-restricted affordable housing production. The City will need to select adequate provisions to include in their comprehensive plan housing element update.

## Incentives and Revenue Programs for Affordable Housing

GMA requires that all cities document “programs and actions needed to achieve housing availability, including gaps in local funding”.<sup>45</sup> Commerce provides a checklist for documenting programs and revenue tools already in use as well as plans for implementing additional tools. A copy of this checklist completed for the City of Wenatchee is shown in Exhibit 44. It shows that the City already has implemented five of the eleven revenue tools or incentives identified by Commerce. The application fee waivers for affordable housing is implemented but includes some requirements that make it unavailable for most affordable housing projects. REET 2 (real estate excise tax) is implemented but not used for housing.

Following the checklist, BERK provides recommendations for refining and supplementing these revenue tools to increase their impact on affordable housing development.

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<sup>45</sup> See [RCW 36.70A.070\(2\)\(d\)\(ii\)](#).

## Exhibit 44. Checklist for Local Option Tools for Addressing Affordable Housing Funding Gaps

Local option tools for addressing affordable housing funding gaps	Implementation status and/or Plans for Implementation
Housing and related services sales tax ( <a href="#">RCW 82.14.530</a> )	✓ Implemented: <a href="#">WCC 5.112 Additional Sales and Use Tax for Housing and Related Services</a>
Affordable housing property tax levy ( <a href="#">RCW 84.52.105</a> )	
REET 2 ( <a href="#">RCW 82.46.035</a> ) – GMA jurisdictions only and only available through 2025	Implemented, but not used for housing.
Affordable Housing Sales Tax Credit ( <a href="#">RCW 82.14.540</a> ) – was only available to jurisdictions through July 2020	✓ Implemented: <a href="#">WCC 5.110 Sales or Use Tax for Affordable Housing</a>
Lodging Tax ( <a href="#">RCW 67.28.150</a> and <a href="#">RCW 67.28.160</a> ) to repay general obligation bonds or revenue bonds	
Mental Illness and Drug Dependency Tax ( <a href="#">RCW 82.14.460</a> )	
Document and Recording Fee ( <a href="#">RCW 36.22.250</a> )	✓ Implemented by county
Donating surplus public lands for affordable housing projects ( <a href="#">RCW 39.33.015</a> )	
Impact fee waivers for affordable housing projects ( <a href="#">RCW 82.02.060</a> )	✓ Implemented in <a href="#">WCC 15.02.040</a>
Application fee waivers or other benefits for affordable housing projects ( <a href="#">RCW 36.70A.540</a> )	Implemented in <a href="#">WCC 1.99.040(5)</a> . However, the code requires that project development includes “sweat equity” and places limits on the income of the applicant.
Multifamily Tax Exemption (MFTE) with affordable housing requirement ( <a href="#">RCW 84.14</a> )	✓ Implemented both 8- and 12-year options. In late 2023 the Council adopted amendments to 8-year exemption requiring “[a] minimum of 10 units and 10% affordable units to residents in the low to moderate MFI range.”
General funds (including levy lid lifts to increase funds available)	

Sources: Washington State Dept. of Commerce, 2023; City of Wenatchee, 2023; BERK, 2023.

## Recommendations for MFTE Program Refinement

When considering recommendations to refine the Wenatchee MFTE program, there were several policy and programmatic considerations we reviewed:

- **Sales of owner-occupied housing upon expiration.** Projects that use the eight- and 12-year options for owner-occupied housing do not provide permanent affordable housing, as upon expiration of the exemption the housing unit may be sold at market rate free and clear. This can provide a windfall

for the property owner at the time of sale that is often unintended under an affordable homeownership program.

- **20-year MFTE option for affordable homeownership.** Under RCW [84.14.021](#), cities are provided with the option to create a 20-year MFTE option for affordable owner-occupied housing, which is coordinated with other housing organizations to ensure that the required housing set-aside is maintained as permanently affordable.
- **Balancing costs versus incentives when achieving housing goals.** The costs of meeting new affordability requirements under the MFTE program through reduced rental income, compliance measures, and auditing may exceed the tax incentives provided. These changes may make the incentive less appealing and will not provide a benefit to overall housing production. If housing production is the primary goal for the City, reducing or eliminating affordability requirements may be more important.
- **Competition between MFTE options.** As compared to the eight-year option, the 12-year MFTE option requires that an additional 10% of housing be set aside as affordable for 12 years in exchange for an extension of four years to the property tax exemption after year eight. This tends to be less financially appealing and is often only taken when other factors are involved (e.g., Low-Income Housing Tax Credit projects with higher affordability requirements, etc.).
- **Conflict with tax increment financing programs.** It should be noted that the tax increment financing (TIF) program implemented for the North Wenatchee Avenue area through City Ordinance [2023-02](#) (as per Chapter [39.114](#) RCW) will conflict with the use of MFTE, as the tax exemption from the program can effectively eliminate the increment used for the TIF.
- **State requirements for residential zoning.** Under [HB 1110](#), future residential development in the city will be permitted at two units per lot, or four if one unit is designated as affordable at 60% of MFI for rentals or 80% for owner-occupied housing for at least 50 years. While the financial feasibility of these affordability levels may be challenging, there may be options to adjust the MFTE requirements to accommodate a broader range of projects allowed under this program and support the overall objectives of this regulatory change.
- **Confusion over affordability requirements.** Note that under interpretations by the Department of Commerce, the statement of “low- and moderate-income housing” for requirements under RCW [84.14.020\(1\)\(a\)\(ii\)\(B\)](#) requires that at least one unit of low-income housing (affordable at 80% of AMI) be provided in every project. This is not clear under Chapter [5.88](#) WCC.
- **Future requirements for auditing.** Under RCW [84.14.100\(3\)](#), the Department of Commerce will be implementing an auditing program to evaluate the processes used by property owners to verify household incomes. While the City may look to participate in a state-run auditing program, it may be efficient to manage this process internally depending on the scope and requirements.
- **Options for a 12-year extension.** As per RCW [84.14.020\(6\)](#), cities can extend an expiring eight- or 12-year exemption for another 12 years, in exchange for at least 20% of the housing set aside for low-income households. This provision is not currently included under Chapter [5.88](#) WCC.
- **Rental assistance requirements.** A new requirement under RCW [84.14.020\(7\)](#) mandates that tenants of rent-restricted units in a property with an expiring exemption must be provided with

tenant relocation assistance in the amount of one month's rent within the final month of a lease. This is not currently included under Chapter [5.88](#) WCC.

Exhibit 45 provides a high-level description of recommended changes to the options for the MFTE program. These potential changes include the following:

- **Remove owner-occupied housing from consideration for the eight- and 12-year options and create a new 20-year option for permanent affordable homeownership.** The MFTE program is not well-designed to manage owner-occupied affordable housing requirements, especially since the owners of affordable housing units can sell their units at market rate after the expiration of the exemption. As such, the eight- and 12-year options should be restricted to rental properties, with a new 20-year option provided for owner-occupied housing that will, in partnership with a third-party housing organization, keep required units as permanently affordable homeownership opportunities.
- **Explore removing the affordability requirements from the eight-year option in the short term.** Under current conditions, there are significant local concerns about the ability to meet housing production targets in the city, especially with challenges with construction and lending costs. At present, the affordability requirements for the eight-year option require only 10% of units to be affordable, which may place increased costs on potential applicants while not providing any additional benefit. While challenging development conditions continue, the affordability requirements for the eight-year option may be removed so this option can focus on boosting the city's housing production overall.
- **Include a 12-year extension to the exemption for rental housing.** The City should also explore the use of a 12-year extension with their MFTE program in exchange for tighter affordability requirements. This can potentially be more appealing to owners of rental housing after eight to 12 years of depreciation of the building, and keeping these units as affordable can support long-term housing stability for tenants.
- **Allow MFTE to be applied to smaller projects.** When considering the potential upzoning provided under [HB 1110](#), allowing MFTE to be applied to smaller projects may be an approach to expanding their use as an incentive for these projects. As per RCW [84.14.010\(10\)](#), the definition of "multifamily housing" under WCC [5.88.010](#) can be changed to also include two duplexes on a single lot. This can provide greater flexibility in allowing this incentive to be applied to new small-scale affordable projects.
- **Change the MFTE Residential Target Area.** While the area defined under WCC [5.88.040](#) as the MFTE Residential Target Area accommodates most of the city, this should be expanded to accommodate any multifamily housing built within the city limits. Note that special consideration should be provided in this definition for projects in the North Wenatchee Avenue TIF area to prevent potential conflicts between the programs if new projects that employ TIFs will go forward.
- **Adjust and clarify other provisions of the ordinance.** The City should also consider changing Chapter [5.88](#) WCC to provide for a clearer explanation about meeting requirements for "low- and moderate-income housing" under the statute and ordinance, and to codify the state requirement for relocation assistance under RCW [84.14.020\(7\)](#).

- **Explore the development of an auditing program.** While the City has provisions for auditing individual MFTE projects included in the program under WCC [5.88.120\(2\)](#), statutory requirements will be expanded by the Department of Commerce to conduct mandatory audits of MFTE exemptions every five years and transmit the results to the Department of Commerce.<sup>46</sup> The City should explore the feasibility of creating a local auditing program to meet these requirements, potentially with third-party support, especially if other programs administered by the City would need to consider reviewing income verification for affordable housing.

**Exhibit 45. Recommendations for Refining the City of Wenatchee MFTE Program Options**

	Eight-Year Option	12-Year Option	20-Year Option
<b>Proposed Goal</b>	Encourage market rate multifamily housing production to increase supply.	Reduce cost of affordable housing production to improve project feasibility.	Support affordable homeownership in partnership with housing providers.
<b>Suggested Requirements</b>	<ul style="list-style-type: none"> <li>▪ <u>4+ units on parcel.</u></li> <li>▪ <u>Rental only.</u></li> <li>▪ <u>No affordability requirement.</u></li> </ul>	<ul style="list-style-type: none"> <li>▪ <u>4+ units on parcel.</u></li> <li>▪ <u>Rental only.</u></li> <li>▪ 20% of units are set aside as affordable to low- and moderate-income households.</li> <li>▪ <u>Rental assistance upon expiration of the exemption.</u></li> </ul>	<ul style="list-style-type: none"> <li>▪ <u>4+ units in structure.</u></li> <li>▪ <u>Ownership only.</u></li> <li>▪ <u>Partnership with housing organizations (e.g., CLT).</u></li> <li>▪ <u>25% of units must be affordable to households at &lt;80% MFI.</u></li> </ul>
<b>Target Area</b>	Citywide (excl. TIF area)	Citywide (excl. TIF area)	Citywide (excl. TIF area)

Source: BERK, 2023.

## Recommendations for Other Incentives and Revenue Programs

In addition to refining the MFTE program, BERK recommends that the City of Wenatchee consider the following actions to support and incentivize affordable housing production.

### *Revise development fee waiver requirements*

[WCC 1.99.040\(5\)](#) provides for development fee waivers for affordable housing projects. However, there are additional requirements that significantly restrict what kinds of developers and projects can take advantage of this waiver. They include limitations on the income of the applicant and that the development includes “sweat equity.” This reduces the applicability of this waiver to larger multifamily rental housing projects where engaging future residents in sweat equity may not be feasible and the

<sup>46</sup> See RCW [84.14.100\(3\)](#).

applicant is typically a professional multifamily developer. Removing both requirements would ensure the incentive can be used by typical affordable housing developers to reduce development costs.

#### *Support affordable housing development on surplus properties*

The cost of acquiring land is a major component of overall development costs for affordable housing projects. The City of Wenatchee can support affordable housing development by identifying surplus public land and making it available to nonprofit affordable housing developers with qualifying development proposals. Steps that the city can take to implement this strategy include:

- Create a surplus lands ordinance that directs surplus lands for use in affordable housing development where appropriate, to ensure this policy direction is clear. The City could also coordinate these policies with the county or other public entities for consistency.
- Create an inventory of vacant and under-utilized publicly owned properties that may have potential for affordable housing development. This inventory could include properties owned by the City, County, other public entities, and even nonprofit organizations such as religious institutions that seek to support affordable housing development. Consider engagement with community and religious organizations to help identify such properties.
- If candidate properties emerge, assess surplus properties for affordable development suitability.
- Issue RFPs to solicit proposals from affordable housing developers to develop suitable parcels. These RFPs should clarify any additional incentives to support project feasibility.

#### *Ask voters to adopt an affordable housing property tax levy*

The biggest barrier to affordable housing production is a lack of funding to subsidize development costs. To support production, Wenatchee should consider proposing an affordable housing property tax levy for voter approval. This levy could raise local funds for supporting affordable housing development.

## Land Use Strategies to Support Meeting Housing Targets

As shown in Exhibit 31, there has been a shortfall in the historic rate of housing production compared to the average annual production needs among all housing types and all income levels. Therefore, in addition to incentives and funding for affordable housing production, the City of Wenatchee also needs to identify changes to zoning and development regulations that can encourage more production of housing types in greatest need. This section describes our recommendations for moderate density housing as well as low- and mid-rise housing development.

### Strategies to Support Moderate-Density Housing

Moderate density housing typically includes townhomes, duplexes, triplexes, and smaller multifamily buildings with four to six units. Recent changes to the GMA require the City of Wenatchee to make changes to development regulations to allow at least two units on every lot, and four units if the project is

either within ¼ mile of a “major transit stop”<sup>47</sup> or includes at least one housing unit that is maintained as affordable at 60% MFI (rental) or 80% MFI (owner-occupied) through a 50-year covenant.

Additional changes to the GMA will require Wenatchee to allow for up to two accessory dwelling units per parcel and limits requirements for parking and occupancy that can be imposed by the City. Wenatchee’s lowest density zones already allow for duplexes, so the required changes to zoning may be limited. However, there are actions that Wenatchee can take to make moderate density housing development a more feasible and attractive option for developers. The recommendations here focus primarily on the Residential Moderate zone and may be applicable to supporting moderate housing on smaller parcels in Residential High and mixed-use zones.

Potential strategies to incentivize moderate-density housing include the following:

- **Increase allowable densities.** Based on calculations about moderate-density developments, the available building envelope and lot coverage can potentially be increased to boost density on these sites. While this may need to be paired with greater flexibility in meeting parking and open space requirements, this can potentially increase both the achieved yields on a site and the possible feasibility of development projects. This may even be managed by removing density requirements in moderate density areas and limiting development by building envelope only.
- **Improve flexibility with parking requirements.** Although parking requirements for low- and moderate-density housing will not be as much of a limitation as with denser forms of housing, dealing with parking can often be a challenge with site design and layout. Requirements such as including three parking spaces for certain residences with an ADU as per WCC [10.47.040\(2\)\(d\)](#) can potentially limit which properties can physically accommodate this parking (plus access) on a site. Further flexibility with parking requirements may be required through recent changes in statutes<sup>48</sup> and additional changes by the City to parking minimums and standards under [Chapter 10.60](#) WCC could allow for a greater number of sites to receive redevelopment and infill projects.
- **Increase options to fulfill open space requirements.** Providing flexibility with open space requirements for more intensive forms of moderate-density housing, such as townhomes and smaller multifamily projects, can be important. Including options for common off-site open space and in lieu payments for public facilities can help provide developers with options that can be more responsive to local development conditions.
- **Extend the applicability of the MFTE program to include sites with duplexes.** Under the recommendations noted above for the MFTE program, potentially extending the exemption to any project that would accommodate four or more units on a site (as opposed to four units in one structure) could potentially incentivize affordable and market-rate units over a wider range of projects, including those in moderate-density areas.

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<sup>47</sup> WSDOT has conducted preliminary analysis to identify transit stops that meet the definition in HB 1110. It indicates that the Wenatchee Amtrak station may be the only location that qualifies for this standard.

<sup>48</sup> Under the changes from [HB 1110](#) included under RCW [36.70A.635\(6\)\(e\)](#) and [\(f\)](#), any property subject to the minimum density requirements of the section must only require a maximum of one parking space per unit on lots smaller than 6,000 square feet and two parking spaces per unit on lots greater than 6,000 square feet, with no off-street parking required if within one-half mile walking distance of a major transit stop, as noted above. These are comparable with requirements from [HB 1337](#) found in RCW [36.70A.681\(2\)\(a\)\(ii\)](#) and [\(iii\)](#).

- **Coordinate and simplify processes for utility extensions and connections.** From discussions with smaller-scale developers, unexpected costs for necessary connections to utilities can often be a risk with projects in Wenatchee. While the availability of infrastructure and costs of connections can be problematic to developers across scales of potential development, smaller developers often have limits to the costs they can bear for these facilities. Providing a clear understanding about the needs and costs for these connections and improvements, along with planning to address and finance extensions in certain areas where development is likely to occur, can support developers in making effective financial decisions about the feasibility of these projects.

## Strategies to Support Low- and Mid-Rise Multifamily Housing

Low- and mid-rise multifamily housing includes apartment complexes accommodating more than six units. These units often comprise more of the affordable housing stock available in new housing development and provide housing formats for smaller households such as seniors, younger individuals, and couples.

Potential strategies to support these types of housing include the following:

- **Reduce and simplify parking requirements.** Parking requirements can provide limitations to achievable densities, especially when potential development plans would require more expensive parking within a structure. Currently, parking requirements under WCC [10.60.080](#) for multifamily and mixed-use areas (excluding the Central Business District<sup>49</sup>) require one space per bedroom to a maximum of two spaces per unit, with other requirements for associated commercial units. Potential changes can include:<sup>50</sup>
  - Reducing parking requirements for two-or-more-bedroom apartments to one space per unit.
  - Exploring reductions for studio and one-bedroom apartments below one space per unit in areas with frequent local transit service or in walkable neighborhoods.
  - Simplifying retail parking requirements and reducing restaurant parking requirements for mixed-use developments to allow for easier provision of pedestrian-oriented businesses on the ground floor of mixed-use buildings.
  - Allowing for further reductions through a transportation study and steps with transportation demand management.
- **Adjust RMU and OMU height and lot coverage.** Under the current requirements in WCC [10.46.030](#), the Residential Mixed Use (RMU) and Office Mixed Use (OMU) zones include 60-foot height limits, which will limit mixed-use development to five stories. Similarly, while 75% maximum lot coverage is imposed, it is only in cases where 80% of parking can be accommodated in the structure. Providing an increase in heights to 75 feet can accommodate seven-story mixed-use construction and allowing 75% lot coverage without structured parking requirements can ensure that there is

<sup>49</sup> Under WCC [10.24.050\(2\)\(a\)](#), only one space per unit is required in the Central Business District zone.

<sup>50</sup> Note minimum residential parking requirements under RCW [36.70A.620](#) that were revised in 2020 provide maximum parking requirements for very low- and extremely low-income housing, senior and supportive housing, and market-rate multifamily housing given certain minimum levels of transit access. While this would not apply to all multifamily housing under current Link Transit scheduling in Wenatchee, this would be applicable to affordable and supportive housing types, and to others if increases in transit service would mandate changes.

flexibility to meet these parking requirements on site (especially with potential parking reductions noted above).

- **Remove maximum density limits in Residential High (RH) zone.** Managing the RH zone like other higher-intensity zones and removing maximum density requirements can allow more flexibility and greater densities without impacting the allowable building envelope under current development regulations.
- **Increase flexibility for ground-floor retail requirements.** Provisions under WCC [10.10.020](#) and other regulations require ground-floor retail in certain areas. However, these uses can potentially be less profitable than housing, and therefore can reduce development feasibility. Reducing these requirements by providing more flexibility for compliance and reducing areas where ground-floor uses are mandated can improve development feasibility.
- **Allow for in-lieu payments or other provisions to meet open space requirements.** Provisions under WCC [10.47.150\(2\)\(f\)](#) require that new projects provide indoor or outdoor open space amounting to at least 100 square feet per dwelling or 10% of residential unit floor area (whichever is less). While this can be simple to achieve, especially in lower-density residential areas where setbacks and unused lot area can accommodate this requirement, this often amounts to the loss of internal space for residential units or the development of rooftop decks or balconies that can increase project costs. Providing flexibility for meeting this requirement through payments in lieu, land donations, or other considerations that can be directed to common public space managed by the City, such as parks, plazas, or other open space and recreation options.