Middle Housing Focus Group

September 18, 2024

The City convened a two-hour focus group of housing professionals to discuss the comprehensive plan's likely direction and the feasibility of building a variety of housing as the plan suggests. There were 12 participants, gathered in the Council Chambers at Sequim City Hall, working first in small groups and then as a large, single group, to discuss housing issues, review market conditions, and consider how the plan's policies can be most effective to encourage housing type variety. The entire focus group session began with a brief consultant presentation to review the comprehensive planning progress, describe the emerging vision, and review the focus group meeting objectives.

Agenda

Laying the Groundwork (15 mins)

- Middle housing: Defined
- HNA underway
- Findings to date
- Supply (land, labor, capital)
- Demand (wages, housing type, occupancy)
- City's role in middle housing development

Small Group Discussion (45 mins)

- What are the major unmet needs?
- How can we influence housing supply?
- How can we influence/empower housing demand?
- What are your priorities when developing/constructing/finding housing?
- Would you consider building/living in MH? Why/why not?
- What types of MH could you see in the city, and where/how would it be most successful?

Large Group Shareback (15 mins)

- Key themes

Small Groups

After 20 minutes of discussion, the small groups reported their findings to the larger body. They identified the following themes:

Effective model

Participants believe the 2006 Jenny's Meadow development is a reasonable example of affordable, ownership housing, with units varying in size. They cautioned, however, that monotony in a development can prevent a project from succeeding or aging well.

Downsizing

When asked if they believe Sequim's population is downsizing as they age, respondents agreed they see households "right-sizing" depending on individual needs. They do see householders seeking smaller units when they get older, but they also see householders moving into larger quarters – either as their families grow or as they "upsize" in early retirement. They also noted the need for home offices has increased since the pandemic, pushing home sizes up.

Habit versus opportunity

Several of the focus group participants were builders, and they acknowledged it can be challenging to start building new types of housing different from their established approaches and business models. Some indicated an eagerness to try it, providing the market upside is worth the risk and the rate of absorption was quick enough to minimize the land or construction carrying costs.

Mixed-use possibility

Participants took time to review the plan's proposed direction, considering the location, scale, and character of the proposed compact nodes along Washington Avenue. They indicated overall support for the concept and underscored the need for good connections (auto, bike, pedestrian) between the nodes and from the nodes into their surrounding neighborhoods. They also indicated the need for reliable and frequent transit along the length of the corridor to reduce pressure to provide multiple parking spaces per residential unit. They said having to provide suburban rates of parking can make development of mixed use projects infeasible – both too expensive and not compact enough to take advantage of having a mix of retail and residential uses in close proximity. They were also cautious about requiring all ground-floor uses to be retail or other non-residential activity, preferring more flexibility to ensure sufficient demand for whatever retail tenants choose to locate in the nodes.

City action

When asked what the City can do to facilitate the transformation of commercial or vacant land along the corridor into these compact nodes, focus group participants noted:

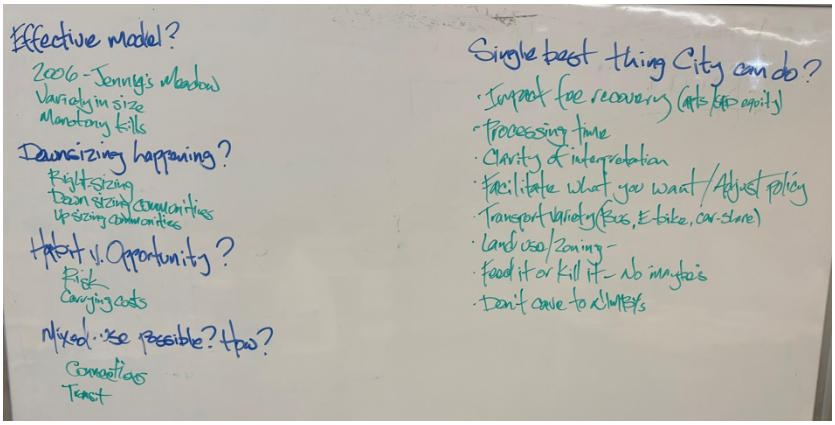
Impact fee recovery

Participants asked for equity between single-family and multi-family impact fees, noting the fees encourage single-family development over any other housing product. The more expensive single-family homes can better absorb the level of impact fees, and, according to the group, charging similar fees for different types of housing product is not equitable.

Processing time

Land use and building permitting times are too long in the eyes of the focus group. Several members shared examples of preliminary plat and commercial building permits taking months longer than they believed they should have. They do not believe the longer processing times in any way made their projects better or improved the quality of public or agendy review of their proposals. Some believe the length of processing times reduced the level of investment they could put back into their projects, with carrying costs for the processing time eating into their profit.

Clarity of interpretation



Some participants suggested the city staff, either between departments or between individual staff members, seemed to offer conflicting interpretations of policy or rules or apparently change their minds about what was required during the course of development review.

Strategic/intentional policy

Participants recognized the importance of having land use and development policy, and they encourage the City to be deliberate in creating policy which results in the outcomes they hope for. They referred to the impact fee requirements as an example where City policy works against the City's stated desires to offer increased variety in housing types.

Transportation variety

As the community's demographic evolves, as development moves toward increased variety and compactness, and as transportation costs increase, participants believe Sequim's transportation system should welcome a wider variety of transportation modes. They see cyclists, e-bikers, pedestrians, and transit riders as an increasing percentage of transportation system users, warranting creative perspectives on how the City designs, builds, and manages its transportation network.

Commitment

Focus group members hope the City sets a land use direction and sticks with it. They said, "Feed it or kill it," using policy to facilitate the type of development the community seeks and clearly not support development contrary to the vision.

Courage

The group discussed the impact "NIMBY" feedback can have on development. They hope the City Council, local officials, and staff develop the courage to withstand opposition when projects advance stated policy but potentially impact outspoken individuals or groups. City failure to do so makes other project proponents timid, reluctant to develop or construct projects in line with policy but likely to generate public complaint.

Large Group Discussion

After reporting on their small-group findings, the entire focus group grabbed sandwiches and reviewed their various experiences and hopes for Sequim's development. The group separated their ideas into factors related to supply and demand, considering the purchasing power of various income levels and the impact fees the City now charges on each new unit.

Supply

The supply conversation centered on those factors influencing developer and builder choices. Some influences are related to policy. Others seem to reflect the larger market as a whole. Some are a combination of the two, where local policy and economic forces combine to either red-light or green-light a project or shape it in specific ways. The table below identifies each topic and places it along the policy-economy spectrum, illustrating the degree to which local policy may more directly influence housing supply. According to the group, a household earning $64,000 per year can afford to buy a home valued at no more than $240,000 at 7% interest. But Sequim's median-priced single-family home is $350,000, affordable to a household earning no less than $94,000. In addition, the group noted the impact fees assessed to a residential unit can be as high as $36,000, making it difficult to construct a home affordable to most households.

More policy				**More economy**
Land readiness	Land capacity	Building code changes	Financeability	Opportunity cost
Permitting efficiency	Constraints awareness	Unit lot subdivision	Housing type variety	Builder comfort
Utility extension policy			Electrification	Construction Cost
Permit/impact fees				
NIMBY politics				
Clarity				

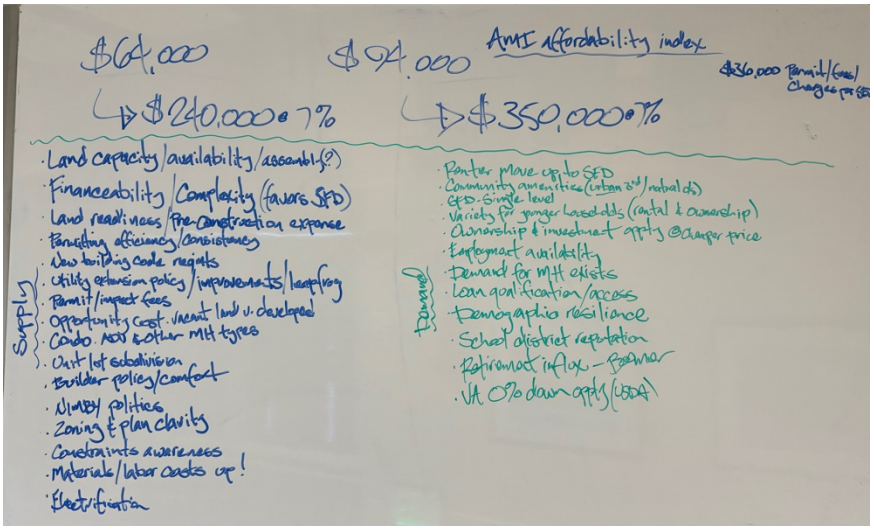
On the policy side, participants see land readiness and commitment as critical to whether or not housing gets built. They understand the link between the availability of utilities and access and the ease at which housing can be developed. Focus group members encourage a clear local government commitment to its land use objectives, one involving investment in infrastructure and consistency in decision making.

On the economy side, the focus group looked to those influences related to cost, business model, access to capital, and housing choice. They noted labor and materials costs are increasing, making it more difficult to deliver an affordable product and, in some cases, making them less flexible to try something new – taking a chance at a new type of construction, for example, which will be less efficient for them to manage. They also weigh the opportunity cost of leaving land vacant or developing it, doing something today which may sell but which may not really optimize the land's full potential if they were to wait for the politics to change. They also noted technological changes – like the move to increased electrification – or national policy changes – like updating building, fire, and other codes – will influence the types of products they bring to market.

Demand

Focus group participants also considered what Sequim's rental and ownership householders look for whan making decisions on whether or not to be in Sequim. They acknowledged a number of influences, some of which may be relevant to City policy and some of which may be more a matter of personal choice. In all cases, however, they point to a blending of affordability, quality of experience, and type of lifestyle, favoring variety of type to accommodate a variety of need.

- **Renter up-housing –** Participants believe many of the community's rental households strive to become ownership households, arguing for a spectrum of ownership types to suit varying levels of affordability.
- **Amenities –** Participants understand residents gravitate to amenity-rich housing environments. This is particularly true for multi-family or other, more compact housing forms, where urban-style amenities are a requirement to attract and retain residents. This is true for both renter and ownership forms.
- **Single-level –** Many of Sequim's single-family homes serve older residents, and they tend to prefer single-level living.
- **Housing variety –** Sequim's residents have varied interests and housing needs, and the focus group believes there is ample demand for virtually any type of housing someone is willing to develop in town.
- **Investment attractiveness –** Many homeowners – or potential homeowners – see homeownership as an investment and not just a housing choice. Single-family housing has proven its investment worthiness, and residents appreciate the opportunity to build equity. In some cases, homeowners also appreciate the opportunity to earn income, renting an accessory or second duplex unit to offset ownership costs.
- **Employment availability –** People looking to live in Sequim most often also will be seeking employment in or near Sequim. Focus group participants said local employment is directly related to housing demand at all levels.
- **Multi-family –** While there is consistent interest in single-family, ownership housing types, participants said there is also an abiding demand for multi-family housing types, both for rent and for ownership, in Sequim.



- **Mortgage access –** Participants noted most ownership households require a second income to qualify for or sustain a mortgage. This implies there is adequate employment opportunity for those who wish to purchase a home. If the City wishes to grow its percentage of home ownership, it must also work to expand its opportunities for people to earn second incomes or earn enough on a single income to afford entry into the home ownership market.
- **Demographic resilience –** Sequim's residents hope to remain, and, according to the focus group participants, they succeed at staying. Duration of residency in Sequim is high, indicating a need to provide for a variety of housing types to meet the evolving needs of the community's residents as they pass through life's stages.
- **School district reputation –** Focus group participants confirmed the school district's reputation influences household location decision, wishing the district would invest more in its facilities and programs to improve its position. Participants also noted the community has had difficulty passing bond initiatives to improve the

district's ability to invest, a challenge which will need attention if the community seeks to attract younger families.

- **Retirement households –** Sequim has more than its share of retirement-age households, according to the focus group, and they believe demand for housing for older residents will continue. It will also depend on the availability of the types of facilities and activities to support these types of households, too, pointing to the need for medical, entertainment, spiritual, and recreational services to match.