

# COUNCIL AGENDA

Monday, June 28, 2021



## SPECIAL MEETING

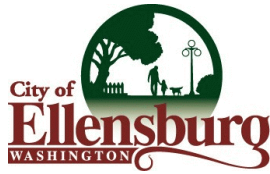
In-person attendance at public meetings is currently prohibited per the Washington Governor's Proclamation No. 20-28.15, as extended by Senate Concurrent Resolution 8402. The special meeting will be broadcast on the ECTV Ellensburg channel on YouTube ([https://www.youtube.com/channel/UC1yIXV9JtOa\\_RFc01w\\_jjSg](https://www.youtube.com/channel/UC1yIXV9JtOa_RFc01w_jjSg)).

No final action will be taken at the meeting and no public comment will be taken.

**CITY OF ELLENSBURG  
COUNCIL AGENDA  
Ellensburg, WA 98926  
Monday, June 28, 2021  
6:00 PM – Special Meeting**

**Study Session for the Following Items:**

- 1. Affordable Housing Project - development parameters discussion**
  - 1.A Affordable Housing Discussion
    - [Affordable Housing Discussion Framework](#)
    - [6-22-21 Housing Action Plan Key Findings](#)
- 2. Incubator Building Sale - use of funds for economic development discussion**
  - 2.A [Incubator Building Sale Use of Funds Discussion](#)
    - [CenterFuse Econ Dev Fund Framework](#)
- 3. Streateries - brief discussion**
  - 3.A [Streateries](#)



Memo for Ellensburg City Council Study Session – June 28, 2021

TO: City Council  
FR: Heidi Behrends Cerniwey, City Manager  
Kirsten Sackett, Community Development Director

RE: Affordable Housing

## **BACKGROUND:**

The Ellensburg City Council recognized that affordable housing was an important community priority. The City collected data on housing needs and affordability and took the following actions to address housing affordability in the community:

### **Housing Needs Assessment**

A Housing Needs Assessment was conducted in 2016 to inform the Housing Chapter of the Comprehensive Plan update that was adopted in January 2017. The Needs Assessment identified key findings about the housing needs in the community, including the cost burden experienced by community members, an inventory of the housing supply and an identification of the types of housing in demand. An online dashboard was later created as a means of updating the findings on an annual basis, and is accessible on the Housing page of the Community Development Department webpage at [Housing in Ellensburg | Ellensburg, WA](#).

### **Surplus Real Property Program**

In February 2017, pursuant to RCW 39.33.15 and Chapter 2.06 of the Ellensburg City Code, City Council identified City-owned parcels for surplus that had public value for affordable housing development. The list was narrowed down to five viable sites.

Three local non-profit affordable housing agencies were then invited to submit proposals for any or all the properties. Five proposals were submitted, and after review by a Council subcommittee, three concept plans were identified for further study.

In June 2017, the three following entities were notified that their proposals would be moving forward through the next step in the screening process to determine project feasibility:

- Habitat for Humanity – 18 single-family lots serving 60% AMI on property at **Bender and Water**
- HopeSource – a multifamily unit on property at **1<sup>st</sup> and Pine** to serve seniors and disabled households at 60% AMI. Two proposals were submitted – one with 30 units, another with 60.
- Kittitas County Housing Authority – a 40-unit multifamily unit serving 30-50% AMI on **property adjacent to Mt. Stuart Elementary**.

It was later determined that the property next to Mt. Stuart was not a feasible site for development and was removed from the list of potential surplus sites.

The City properties currently available for surplus for affordable housing include the following:

- 113 West Bender Road – location of current Habitat for Humanity proposed development of 18 single-family residences.
- 1<sup>st</sup> and Pine – two adjacent parcels southwest of the Library and Hal Holmes Community Center, a portion of which has been in temporary use as a community garden.

### **Voted Sales Tax Measure**

On November 7, 2017, Ellensburg voters approved a 0.1% sales tax for housing and related services. Consistent with RCW 82.14.530, these funds will be allocated to projects that create new affordable housing in Ellensburg. Eligible uses of funds include costs associated with property acquisition, construction, and rehabilitation for projects that will serve target population groups earning 60% or less of the Area Median Income.

### **Ad Hoc Affordable Housing Advisory Committee**

In January 2018, a 17-member Ad Hoc Affordable Housing Advisory Committee began meeting and by April 2018, the group had created the following documents for Council consideration:

- Draft Ordinance on creation of Affordable Housing Commission
- Draft Resolution on affordable housing policies
- Draft revenue allocation

### **Affordable Housing Commission**

In May 2018, the City's Affordable Housing Commission was created to support the development of safe and affordable housing and related services in the City, by assisting the City in determining gaps in affordable housing, and by making recommendations to the City Council for addressing the identified affordable housing needs of city residents (Chapter 1.86 ECC).

### **Request for Proposals**

The Affordable Housing Commission held their first meeting on August 15, 2018. One of its first tasks was to develop a Request for Proposal, which was issued in August 2019. The RFP outlined the opportunity for development of affordable housing using available housing sales tax funding and/or City surplus property.

The RFP resulted in three proposals: two proposals for the Bender/Water St. property and another proposal for an allocation of sales tax funds to develop a 4-unit multifamily for seniors and/or disabled households up to 60% of AMI on privately owned property.

On December 2, 2019 conditional award letters were issued to the following entities:

- HopeSource – up to \$400,000 for the construction of the 4-unit multifamily for seniors and disabled
- Crytly Enterprises – up to \$765,000 and donation of the Water/Bender property for the construction of 18 single-family homes

On October 2, 2020 Crytyl Enterprises formally withdrew their proposal due to the extra costs associated with the requirements to pay prevailing wages for the construction of the homes and half-street improvements of Water Street.

### **Open Application Process**

In July 2020 the Affordable Housing Commission began discussions on developing an application form for funding and/or surplus property outside of the formal RFP process. The “Creating Affordable Housing Application” is now posted on the City website inviting applicants to propose a project on the 1<sup>st</sup> and Pine lots and/or request sales tax funds for affordable housing.

Since offering the open application process, the City has awarded the following project:

- Habitat for Humanity development of 18 single-family homes on the Water/Bender surplus property, in addition to \$765,000 in funding. Habitat is currently finalizing the development plans (subdivision and civil plans) and the contract with the City.
- The City is currently evaluating an application for development of affordable studio apartments at the 1<sup>st</sup> and Pine lots, as discussed below.

More recently, the City received an application from Stalder Interests for the development of affordable studio apartments at the 1<sup>st</sup> and Pine lots, as discussed below. The application received from Stalder Interests in October 2020 is a proposal to build 57 affordable studio units on the 1<sup>st</sup> and Pine lots. The application required additional information and refinement of the details and was then resubmitted to the City in May 2021. The Affordable Housing Commission (AHC) reviewed the Stalder Interests application at the May 5 meeting. At that meeting the Commission held discussions with the applicant regarding management of the units (and who would provide that service), and anticipated rents compared to similar other market rate rentals. Details of the construction were also discussed, including accessible units, parking space requirements, open space requirements, in addition to the types of amenities that would be included such as washer and dryers, etc. Much of the discussion was focused on details regarding accessible units. As submitted the application included one ADA unit on the ground floor of each of the three buildings. The AHC made a recommendation to require accessible units in each of the remaining ground floor units to potentially support more aging in place tenants.

The application from Stalder Interests and award letter was presented to Council on June 7, 2021. After review and consideration City Council requested this study session to further analyze the purpose and opportunities of the affordable housing program.

### **Housing Action Plan & Updated Housing Needs Assessment**

City staff began working with a consultant in 2020 on completing a Housing Action Plan (HAP) through a grant from Washington State Department of Commerce, proposed for Council consideration before the end of 2021. In order to inform the HAP, the Ellensburg Housing Needs Assessment (HNA) has been updated. Key Findings from the draft HNA indicate there is a great need for increased production of housing units in order to keep up with the demand. Please see attachment for additional details.

## ANALYSIS:

### Zoning & Development Standards

Ellensburg City Code establishes zoning, development standards, and State Environmental Policy Act (SEPA) review to shape development. Issues addressed during development include height limits, parking requirements, improvements, density, accessibility, etc.

### Consideration

The City of Ellensburg owns the property located at 1<sup>st</sup> and Pine, and donation for affordable housing has public value. The Council may authorize additional requirements be placed on the donation. The mechanism to attach any requirements outside adopted regulations will be brought back to Council for discussion and action.

Staff recommends isolating the discussion at the Study Session to the surplus real property located on the 1<sup>st</sup> and Pine St. parcels, not details of the pending application.

The property on Pine and 1<sup>st</sup> Avenue is unique, considering proximity to downtown, adjacent neighborhoods, businesses, and services. At the June 28 Study Session, staff recommends Council discussion to provide direction on additional parameters or requirements, if any, to be secured for the surplus property on 1<sup>st</sup> and Pine:

| Element                                         | Current Code Requirement                                                                                                                                                                                                           | Options |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Zoning                                          | Central-Commercial (C-C)                                                                                                                                                                                                           |         |
| Density                                         | No minimum lot area<br>No minimum or maximum density                                                                                                                                                                               |         |
| Permitted Units<br>(Studio, 1, 2, or 3-bedroom) | Duplexes<br>Townhomes<br>Multifamily units (3+ units)<br>Live-work dwellings                                                                                                                                                       |         |
| Accessibility                                   | Adherence to Building Code requirements                                                                                                                                                                                            |         |
| Parking                                         | <ul style="list-style-type: none"><li>• See residential parking requirements on next page</li><li>• No more than 50% of street frontage can be occupied by off-street parking &amp; driveways</li></ul>                            |         |
| Development Standards<br>(height)               | <ul style="list-style-type: none"><li>• 45 feet max building height</li><li>• Technically NO setbacks</li><li>• 10% Open Space</li><li>• Multifamily building articulation, details &amp; bldg. materials per ECC 15.530</li></ul> |         |

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                          |  |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Secondary Street Frontage Standards (Pine Street)          | <ul style="list-style-type: none"> <li>• 10' building setback</li> <li>• All areas between sidewalk &amp; building landscaped</li> <li>• One building entry visible from sidewalk</li> <li>• 3' deep weather protection on all primary entries</li> <li>• Transparent window on 15% of building façade</li> <li>• No more than 50% of street frontage can be occupied by parking or driveways</li> </ul> |  |
| Landscape Street Frontage Standards (1 <sup>st</sup> Ave.) | <ul style="list-style-type: none"> <li>• 15' building setback</li> <li>• All areas between sidewalk &amp; building landscaped</li> <li>• One building entry visible from sidewalk</li> <li>• 3' deep weather protection on all primary entries</li> <li>• Transparent window on 15% of building façade</li> <li>• No more than 50% of street frontage can be occupied by parking or driveways</li> </ul> |  |
| Community Garden(s)                                        | Non-commercial gardening or fruit raising permitted in all zoning districts                                                                                                                                                                                                                                                                                                                              |  |

**Financial Impact:**

N/A

## Key Findings

1. Ellensburg is growing. The population size has increased 14% from 2015 to 2020. Adopted population targets plan for an additional 9,661 people by 2037. Countywide trends suggest that an increasing proportion of those residents will be 65 and older.
2. Ellensburg's housing stock lacks midsize housing options for smaller households. Over three quarters of Ellensburg's housing stock is either single-family units or apartments in larger (5+ unit) buildings. There is also a shortage of smaller units compared to the number of 1- and 2-person households in Ellensburg. There is a lack of "missing middle" housing types such as townhomes, condominiums, and cottage housing, despite being a good match for many smaller households that live in Ellensburg.
3. There is a current undersupply of housing units, and housing production is not pacing with population growth. The annual rate of production needs to increase from 107 to 281 units to accommodate the city's expected growth. Vacancy rates in Ellensburg are incredibly low, demonstrating a shortage of housing compared to current demand. The City needs to add at least 441 units to address this supply gap. This is in addition to the increased rate of housing production needed to accommodate population growth targets. To meet the diversity of current and future housing needs, this new housing production should come in different formats including both ownership and rental housing types at various affordability levels.

### Ellensburg and UGA Housing Unit Production, Actual and Target, 2015-2037.



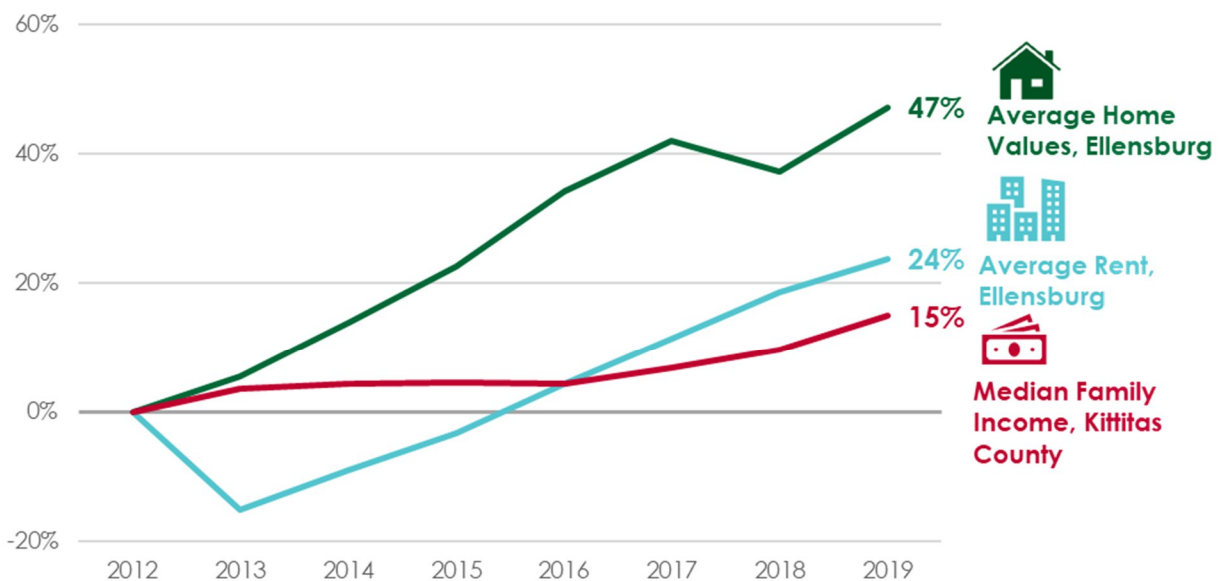
Sources: Population growth target from Ellensburg Comprehensive Plan, 2017; Growth target translated to housing units based on 2020 average household size (2.2) from Washington OFM, 2021; BERK, 2021.

4. Ellensburg needs more income-restricted affordable housing. Over half (57%) of the current income-restricted supply have affordability covenants that will expire by 2030. Additionally, there is an undersupply of these units and low rates of production. Many residents qualify for these units by income level but do not have access to supply, resulting in likely cost burden.

5. 45% of Ellensburg's households are cost-burdened or severely cost-burdened from housing. This challenge is particularly notable for the city's college students, older adults (62+) who live alone, and small families (2 – 4 members). Cost-burdened households pay 30% or more of their incomes toward housing, and severely cost-burdened households pay 50% or more. These residents are likely to make difficult financial tradeoffs between competing priorities such as healthcare, transportation, and education. When they are renters, they are unlikely to accumulate enough savings to start meaningful down payment funds for future home ownership.

### Percent Change from 2012 for Home Values, Rents, and Median Family Income.

Sources: Home values and rents from Zillow, 2020; Median Family Income based on HUD-area Estimates as reported by the Washington Housing Finance Commission, 2020; BERK, 2021.



6. Housing affordability is a barrier to home ownership. While many renters in Ellensburg are college students who prefer the flexibility of rental housing, those who desire the stability of home ownership may face barriers of both supply and affordability. Home values are rising much faster than incomes, and this imbalance makes a home purchase less attainable.



## CITY COUNCIL AGENDA REPORT

**City Council Meeting Date:** June 28, 2021

**Item Title/Agenda Subject:** Incubator Building Sale Use of Funds Discussion

**Submitted by:** Heidi Behrends Cerniwey City Manager Department

**Recommended Action or Motion:** Provide staff direction on future policies and procedures for disbursements of Incubator Building sale proceeds.

**Background/Summary:** The City built the Ellensburg Business Incubator in 1989 to promote economic development by assisting small businesses and startups by providing leased space at below market rates. The building has been managed for the City by a variety of organizations, including by Ellensburg Business Development Authority dba CenterFuse since 2017. At the March 15, 2021 City Council meeting, CenterFuse presented information regarding the ongoing costs and return on investment associated with the building, and requested that Council declare the building as surplus to the City's needs, sell it to CenterFuse for \$1 and allow it to sell the building and use the proceeds for as yet undetermined economic development projects. After discussion, City Council agreed to move forward with the surplus and sale of the building, but directed that the City should sell the building and place the proceeds in a fund dedicated to use for economic development.

Based on City Council action taken earlier this year, the City Incubator Building has been sold for \$710,000. The sale is scheduled to close on or around June 30, 2021.

**Previous Council Action:** The City Council declared the Business Incubator Building surplus to City needs and directed staff to proceed with its sale at its April 19, 2021 meeting.

On June 7, 2021, City Council approved the cash sale of the Business Incubator Building to Steve and Susan Gunn for \$710,000.

**Analysis:** Information from CenterFuse which includes a definition of economic development and outlines their adopted work plan is

attached to this report. CenterFuse also provided at the March 15 meeting sample catalyst projects/programs that may come forward for use of the proceeds from the sale of the Incubator Building.

Discussion around goals for these funds and process for approval for use of this one-time revenue will provide direction for staff to develop the policies and procedures to distribute and track outcomes for these monies.

**Financial Impact:**

Proceeds from the Incubator Building sale are anticipated to be \$710,000 less usual and customary closing costs. In addition, the City has had to arrange for the removal and disposal of several barrels dumped at the rear of the property containing an unknown liquid (possibly biodiesel fuel) that was apparently left by a previous tenant several years ago. Disposal costs are estimated to be approximately \$1,600.

The proceeds of the building sale will be deposited into a newly established economic development fund.

**Attachments:**

[CenterFuse Econ Dev Fund Framework](#)



## WHAT IS ECONOMIC DEVELOPMENT?

Economic Development is programs, policies, and activities that build capacity for **self-sustaining, long-term economic growth**.

It is more than a jobs program, it's an **investment in growing Ellensburg's economy** and enhancing the prosperity and quality of life for all residents.

## HOW DOES CENTERFUSE DETERMINE WHICH PROGRAMS AND PROJECTS TO PURSUE?

Economic Development Criteria:

1. Does the project support the CenterFuse mission?
2. Does the project contribute to the KPI to drive up median family wages?
3. What are the community benefits of the project?
4. Are the project and key project partners ready to go?
5. Is the project fiscally possible with existing or new resources?
6. What level of effort is needed to carry out the project?
7. Will the outcome of the project result in new jobs?
8. Is the project one that the public can/would support?

## WHAT IS THE FOCUS FOR CENTERFUSE FOR 2021? WHAT IS THE TIMELINE\*?

| Key Pillars                                                   | Objective/Tasks                                                                                                                                                                                             | Q1          | Q2     | Q3          | Q4 |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------|-------------|----|
| <b>Enhance Capital Resources</b>                              | Assess Prospect Building<br>Assess Airport Building<br>Assess new opportunities                                                                                                                             | X           | X<br>X |             |    |
| <b>Tell Ellensburg's Story</b>                                | Digital: Audit website, enhance content, improve SEO<br>Enhance and expand social media<br>Personal: In-person onboarding, concierge service<br>Promotional: Presentations, earned media, swag              | X           | X      | X<br>X      |    |
| <b>Recruit businesses to Ellensburg</b>                       | Support efforts to improve infrastructure<br>Curate, connect with businesses interested in Ellensburg<br>Charge the narrative about Ellensburg                                                              | X           | X<br>X |             |    |
| <b>Support growth of local businesses</b>                     | Create roadmap for local government services<br>Sustain close contact with community partners<br>Conduct gap analysis of products/services available<br>Engage with local businesses, listen to their needs |             | X      | X<br>X<br>X |    |
| <b>Sustain future focused board, financial sustainability</b> | Identify gaps in board composition<br>Link objectives and budget<br>Identify, apply for and secure external funding                                                                                         | X<br>X<br>X |        |             |    |
| <b>Public policy proponent</b>                                | Track, act on WA bills<br>Engage locals in comprehensive plan updates<br>Know, meet with state/federal delegation                                                                                           | X           | X      | X           |    |

\*Timeline denotes when the effort begins, which quarter of the year.





## CITY COUNCIL AGENDA REPORT

**City Council Meeting Date:** June 28, 2021

**Item Title/Agenda Subject:** Streateries

**Submitted by:** Heidi Behrends Cerniwey City Manager Department

**Recommended Action or Motion:** This is a discussion item only.

**Background/Summary:** In March 2020, Governor Inslee's Proclamation 20-25 and subsequent guidance limited indoor seating for restaurants which impacted capacity of these small businesses, a cornerstone of Ellensburg's Downtown economy. Under the powers vested in the City Manager to reduce the impacts of the emergency (City Council Resolution 2020-05), the City Manager issued Emergency Order No. 2020-03 Temporary Streatory Permits in August 2020.

This administrative action allowed restaurants in limited area of the City to operate their business on sidewalks and portions of the street immediately in front of their businesses. Conditions were established through a temporary permit, which waived certain Public Works & Utilities and other development requirements.

Temporary Streateries were allowed in the following areas:

- a. Pearl Street between 3rd and 5th Avenues;
- b. Pine Street between 3rd and 5th Avenues;
- c. 3rd Avenue between Pine and Main St., and between Main St. and Water St.; and between Main St. and Water St.; and
- d. 4th Avenue between Ruby and Main St., and between Main St. and Water St.;
- e. Other areas where business expansion can occur on adjacent street right of way and meet the requirements for sidewalk obstruction prohibition and all other public health and safety regulations, and as approved by the City in its sole discretion.

The City Manager Emergency Order was extended by Amendment No. 3 on May 26, 2021 to allow temporary streateries to operate through September 30, 2021.

**Previous Council Action:**

The City Council adopted Resolution 2020-05 COVID-19 Declaration of an Emergency. Temporary Streatery Permits were established through a City Manager Emergency Order No. 2020-03 in August, 2020. The City Council has not discussed this issue.

At the upcoming regular meeting on July 6, 2021, the City Council will consider rescinding the local Declaration of an Emergency.

**Analysis:**

Several local restaurants have invested resources into building structures for outdoor dining through the COVID-19 emergency. The Ellensburg Downtown Association has expressed support for establishing permanent use of adjacent sidewalk and street right-of-way for outdoor dining and gathering. Developing appropriate standards and policy for permanent streatery structures will require staff resources and time to research and gather input from Downtown business owners and patrons.

Discussion around extending temporary streateries through a Council action will give those businesses some certainty to operate established streateries while staff work with the Ellensburg Downtown Association to gather data and review policy options to establish regulation and permitting standards for more permanent structures.

**Financial Impact:**

None.