



Mayor Anne McEnery-Ogle
Vancouver City Council
Vancouver City Manager
City Hall
415 W. 6th St.
Vancouver, WA 98660

October 3, 2019

Dear Mayor McEnery-Ogle and Council:

The Building Industry Association of Clark County (BIACC) is the voice of the housing industry in Southwest Washington, representing 700-member companies and more than 12,000 employees. We are dedicated to promoting the vitality of the building industry and championing housing affordability for the citizens of Clark County.

I am writing you to first thank you for your and the Executive Sponsors Council's efforts in reviewing the city's financial structure and proactive planning for long-term priorities and projects. We appreciate your willingness to consider a broader evaluation which we and other business groups encouraged as part of the 2016-2017 police expansion package discussion.

Our industry is dependent on a community that embraces the ethos of live, work and play and want to be a partner in the City of Vancouver's efforts to achieve a quality of life in which we can be proud. However, this vision must be tempered by the realities of our current housing affordability situation and the homelessness crisis we are experiencing.

Any additional cost incurred by homebuilders, their suppliers and subcontractors have a direct and immediate impact on the price of every new home. Contrary to a popular claim, builders cannot absorb these costs. With median housing prices far above the affordability level of most Clark County residents, builders in the mid to entry-level market must squeeze every cost efficiency out of each home, including their profit margin, to have a marketable product. This leaves them little room to absorb new costs. Recognizing this, we have some concern with certain proposals included in the package.

First and foremost, the drastic increase in park impact fees (PIF) and fire sprinkler requirement would have the greatest detrimental effect on housing affordability. Together they would add approximately \$8,000 to the price of a single-family home which, according to a recent National Association of Homebuilders (NAHB) study, would price out 6,200 Clark County residents.

The proposed SFR PIF increase of \$3,383, by itself, will price out 2,625 residents. It is also important to note that through the city's own Stronger Vancouver outreach effort, we have learned that the residents would rather pay to restore existing parks than build new ones. Since PIFs are limited to paying for new capacity due to growth only, not for maintenance or to address existing capacity deficiencies, the idea of increasing PIFs drastically seems out of line with the desires of the community regarding parks.

Due to the nature of park impact fees, which target only one industry and group of citizens, being legally limited in application and in conflict with the goal of housing affordability, we recommend adopting a park impact fee increase as a last resort and adjusted to match inflation since the last update in 2004. This

would be approximately \$1,000 for a total of \$3,255 for SFRs and \$2,650 for MFR. With an understanding that inflation is always a factor, we would suggest that a CPI index be adopted so any huge increase can be avoided in the future while providing park funding commensurate with the market.

Although well intentioned, the requirements for sprinkler installation in new homes would add another cost that would disproportionately affects the mid to entry-level housing market, part of the missing middle that is needed to address housing affordability across the spectrum. The lack of studies on the direct impact of fire sprinklers on safety does not support an additional \$4,000-5,000 cost for each new home and we request that if the city intends to pursue this requirement, it be vetted through a separate and open public dialogue.

We recognize that funding is necessary to achieve a desirable community, one that supports the concept of live, work, and play. As such, we would like to offer the following observations on the rest of the package.

We, along with many in the business community, have a strong preference for broad based revenue sources, such as the levy lid lift and utility taxes. We feel voters should have the opportunity to vote on the levy lid lift before other revenue sources are enacted. If Vancouver's citizens reject the levy lid lift, the Council should reconsider the program and contemplate scaling it back to achieve a package for which voters would be willing to pay.

We do not support the Business & Occupation tax because it disproportionately affects industries like ours with products that have a high price point and a low margin. In addition, we would be paying tax on a portion of our product's value which is dictated directly by government fees and regulations. Essentially allowing government-controlled costs to add to the base calculation of our tax obligation. We, as an association of businesses, already pay an additional share of taxes beyond traditional property, utility and sales taxes through the business license surcharge, which this package proposes to double.

We recognize the need for an extension of the Proposition One affordable housing property tax and would concur that its extension would be in line with the stated public desire of addressing homelessness, but would be remiss if we didn't point out the contradictory nature of championing this extension while also proposing to increase the price of housing. The housing market, throughout the value chain is affected by a price increase anywhere along the spectrum which ultimately affects those just trying to stay housed. Unaffordable or nonexistent housing in the middle and entry level market prevents empty nesters and others from downsizing, others from trading up, and renters from moving in; all which trickles down to the affordability and availability of rental units. Pricing is not the only concern in this crisis. If the added costs don't pencil out, products at these price points will not get built, further restricting an inventory already below needed capacity.

Finally, we would suggest, as others have, a more conservative plan of project and program expenses be adopted under a 5-year improvement plan. Once achieved on-time and on-budget, the plan can be expanded to include the longer-term goals envisioned in the current proposal.

To reiterate some statistics already mentioned, a recent study by the NAHB calculates that for each \$1,000 increase in the median price of a new home, 776 Clark County citizens are priced out of the market.

During the public outreach effort of Stronger Vancouver, the number one issue for our citizens is homelessness. Although there are multiple causes of the current crisis, one major part is the price and availability of homes.

Housing affordability isn't a localized problem or one that can be solved exclusively through local solutions; it is a regional problem in which each jurisdiction has a role. Clark County is one of the least affordable markets in the state with a median home price of \$369,000 and a median income of only

\$75,000. This income level is approximately \$23,500 less than what is needed for an affordable mortgage leaving about 65% of our citizens priced out of the new home market. This problem is further compounded by the “missing middle” that exists in our housing inventory. Lower priced starter homes, condos, and townhouses are missing due to statutory requirements, ever increasing regulation, and the cost of land, materials, and labor. The revenue proposals we have highlighted will only serve to exacerbate the effects on the housing market, not only new homes, but rentals as well. The upward pressure of too few houses, especially at the mid to low price point, coupled with the filtering effect on our real estate market, will only serve to further harm lower income households and those experiencing homelessness.

We recognize the need for city improvements and the work that has gone into this proposal package. We also recognize that our concerns are just a few among many competing interests. The decision of what to fund and how to pay for it is a difficult one, but I implore each of you to consider home affordability versus aspirational desires in these decisions. Every proposal in this package must be weighed against the cost it will add to home prices. We realize this is a difficult decision and hope that you will take this delicate balance into consideration when deciding on a final project and funding package.

The additional housing costs included in this package are only some of the many costs attributable to government action, including impact fees, permit fees, the WA Real Estate Excise Tax, regulatory compliance and others that affect the price of housing. These must be considered as part of the whole and not taken out of context to be promoted as small individual cost increases. The home buyer doesn't just see the small increase in price due to the head tax, the increase due to park impact fees, fire sprinklers, etc., they see the sum of these; 25% or more of the cost of their home due to taxes, regulation and fees.

We recognize the need for a long-term comprehensive plan and the revenue streams to support it but ask that you consider actions that are as least disruptive as possible and always through the lens of housing affordability.

On behalf of 700 businesses in the building industry, BIA of Clark County respectfully urges you to reject the park impact fee increases as proposed and leave mandatory fire sprinklers for a separate discussion. Help us address the affordability and homeless crisis affecting our community.



Ryan Makinster
Government Affairs Director