

Bonner County Housing Needs Assessment

Introduction

This report discusses the major findings from a 2006-2007 study of the residential market in Bonner County, Idaho, focusing on the market for workforce housing. The findings and recommendations contained in this report are derived from a number of research efforts conducted for this study, including:

- A review of rental prices and affordability;
- A analysis of the prices of homes recently for sale and the incomes required to purchase such housing;
- A survey of employers about how the housing market has affected their workforce;
- A survey of residents about their housing situations and needs; and
- A review of the county's and cities'/towns' land use and zoning ordinances.

Report organization. The primary findings from the Bonner County Needs Assessment are encapsulated in this section of the report. This “white paper” is intended to provide a more comprehensive review of needs and recommendations than an executive summary, enabling policy makers a full understanding of identified needs and recommendations without further reading. For readers interested in additional data and analyses, four appendices provide detailed information and analyses. These include:

- Appendix A—Demographics and Housing;
- Appendix B—Zoning and Land Use;
- Appendix C—Employer Survey; and
- Appendix D—Resident Survey.

Summary of Needs

- Bonner County has experienced a rapid increase in housing prices—primary for sale housing—related to strong population growth, an influx of second homeowners and investor activity. Finding housing in the county in the current market is overwhelmingly characterized by both employers and employees as “difficult.”
- Almost half of the full-time resident households in the county are considered to be low-income by industry standards, earning less than \$35,000 per year. About 37 percent of the county's renter households earn less than \$15,000 per year; another 21 percent earn

between \$15,000 and \$25,000 per year. The private rental market is not producing rental units that are affordable to these households (rents of less than \$450 per month). Much of the rental stock in the county is detached, single family homes or mobile homes that carry higher rents and utilities' costs. Forty-five percent of the county's workers who pay rent say their rent payment is a "significant part of their monthly expenses."

- The majority of renters—in addition to low- to moderate-income households relocating to the area—are priced out of the housing market in Bonner County and Sandpoint. In 2005, only 15 percent of homes for sale in the county were priced so that moderate-income households could afford to buy them. Households must earn \$50,000 per year before they can afford one-third of the residential properties for sale, based on 2005 home sales.
- Between 11 and 14 percent of households in the county have someone living with them who cannot afford to pay for housing on their own. Approximately 44 percent of households in the county say they know of someone who has looked for housing in the Greater Sandpoint area and was not able to find what they needed.
- Surveys conducted of resident workers in the county show that commute times are not terribly long: about 40 percent drive less than 10 minutes to work and 70 percent have a commute that is less than 20 minutes. However, if housing continues to grow less affordable, workers will need to look further and further outside of the Sandpoint area to find affordable housing. Indeed, many of the survey respondents who wanted to change their housing situation said they would like to find affordable housing in or close to Sandpoint.
- The vast majority of employers surveyed for this study—85 percent—said the changing market has affected their ability to recruit workforce negatively or very negatively. As employers add to their workforce during the next 10 years, it will be increasingly difficult for workers to find affordable for sale housing price if increases continue. Approximately 500 units will be needed to accommodate the growing non-seasonal workforce of the employers surveyed; additional units will be needed to accommodate 240 new seasonal workers. The majority of non-seasonal jobs projected by the employers surveyed for this study will pay between \$10 and \$35 per hour, requiring rental housing priced between \$425 and \$1,725, and for sale units priced between \$157,000 and \$287,000. Seasonal workers would need units affordable at less than \$425 per person per month.

Population

In 2005, the number of people living in Bonner County was estimated at 40,908. Between 2000 and 2005, the county is estimated to have added an average of 815 people per year, for total growth of 4,075 people over 5 years. This compares to an annual average increase of 1,017 people per year between 1990 and 2000. Mid-decade population estimates show the county growing at a slightly lower rate than during the 1990s.

Sandpoint is the largest incorporated city in the county, with a 2005 population estimated at 8,105. Between 2000 and 2005, Sandpoint grew at an average of 254 people per year, for total growth of 1,270. This compares to an average of 163 people per year during the 1990s, suggesting that Sandpoint is growing even faster in the current decade than between 1990 and 2000.

The Town of Dover has experienced much more rapid growth between 2000 and 2005 than during the 1990s. In contrast, population growth is estimated to have slowed somewhat for Kootenai and Ponderay, and been slightly higher in Priest River.

Income

In Bonner County, the median family income in 2006 was estimated to be \$44,200. That is, in 2006, half of families in the county earned less than \$44,200, and half earned more.

In the housing and community development industry, the standard definition of “low-income” is keyed to the median family income. Households are considered to be low-income if they earn 80 percent or less than the median family income. In Bonner County, a household would be “low-income” if the total earnings of all members in the household was \$35,360 or less.

A “moderate-income” household is defined as earning between 80 and 95 percent of the median income. In Bonner County, a household would be considered “moderate-income” if the total earnings of all members in the household was between \$35,361 and \$41,990.

In 2005, about 47 percent of households in Bonner County met the definition of low-income. An additional 9 percent were moderate-income. Exhibit 1 shows the percentage of households in the county and each city who are defined as low-income and moderate-income using the standard definition.

Exhibit 1.
Low- and Moderate-Income Households, 2006

	Bonner County		Dover		Kootenai	
	Number of Households	Percent of All Households	Number of Households	Percent of All Households	Number of Households	Percent of All Households
Low-income Households	7,971	47%	76	37%	108	53%
Moderate-income Households	1,520	9%	24	12%	17	8%
Low- and Moderate-income	9,491	56%	100	49%	125	61%
	Ponderay		Priest River		Sandpoint	
	Number of Households	Percent of All Households	Number of Households	Percent of All Households	Number of Households	Percent of All Households
Low-income Households	199	66%	436	57%	1,718	47%
Moderate-income Households	22	7%	78	10%	310	8%
Low- and Moderate-income	221	73%	514	67%	2,028	55%

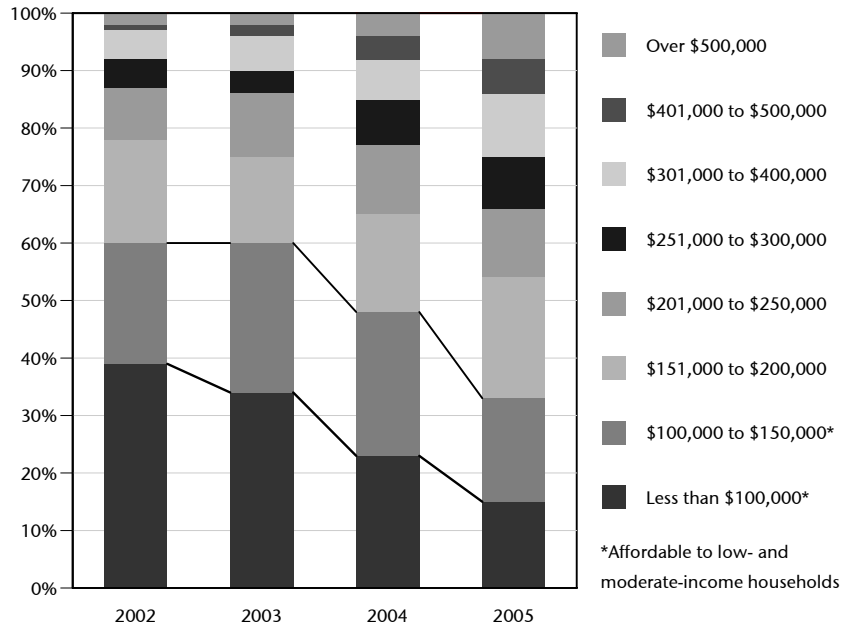
Source: BBC Research & Consulting.

Housing Costs

It is well accepted that housing prices have increased rapidly in Bonner County in the past few years. Indeed, comparing price trends over time shows a dramatic decline in the proportion of homes for sale that are affordable to low- and moderate-income households in the county. Exhibit 2 compares average sales prices in the county for the past 4 years, according to data reported by the Selkirk Multiple Listing Service.

Exhibit 2.
Average Sales Prices,
Bonner County,
2002 to 2005

Source:
Selkirk Multiple Listing Service.

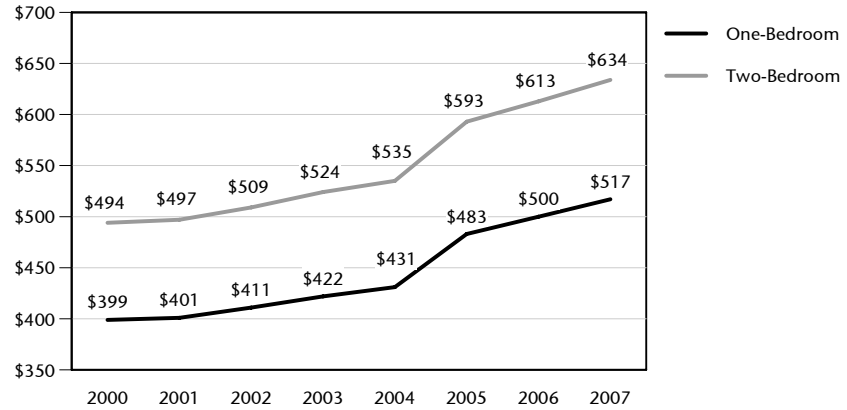


As shown in Exhibit 2, in 2002, 40 percent of homes for sale in Bonner County were priced at less than \$100,000. By 2005, this had dropped to less than 20 percent. Exhibit 2 demonstrates the dramatic market shift in the distribution of homes for sale, away from affordable levels (less than \$150,000) to higher prices.

Rents have also risen rapidly since 2000, as demonstrated in Exhibit 3, which shows the fair market rents in Bonner County, as estimated by the U.S. Department of Housing & Urban Development (HUD). Renters paying the fair market rent in Bonner County in 2007 are paying \$140 more per month for a one-bedroom unit, and \$118 more per month for a 2-bedroom unit than they were paying in 2000.

**Exhibit 3.
Fair Market Rents,
One- and Two-
bedroom Rentals,
Bonner County, 2000
to 2007**

Source:
U.S. Department of Housing & Urban
Development.



Housing Needs and Preferences

Two resident surveys were conducted for the housing needs assessment—a statistically significant survey telephone survey of Bonner County resident households, and a mail survey of employees in the county. The survey asked residents about their housing situation, their housing needs and their housing preferences. The complete results of the surveys appear in Appendix D. Summary findings from the surveys include:

- Employees in the county do not currently face extremely long commutes. Seventy-one percent commute less than 20 minutes to work.
- A comparison of the mortgage payments of the different survey respondents showed that residents who had moved into the area recently had much higher payments than longer-term residents. In addition, employee survey respondents—who were more likely to be people who had moved into the area recently—were twice as likely to say they had difficulty paying their mortgage or rent payments than the telephone survey respondents. (Two-thirds of employee survey respondents had lived in the county for less than 10 years, compared to 40 percent of telephone survey respondents).
- Once residents find housing in the Greater Sandpoint area they are very satisfied with their housing situation.
- When asked about their housing preferences, employee survey respondents said owning a home is more important than having a short commute, and having a large lot/land was more important than living close to work. Cost is also an important consideration, with respondents saying they would be willing to live in a smaller home or commute to reduce their mortgage payment or rent.

Affordability

How have the price increases affected the ability of Bonner County's households to buy or rent? This section discusses current affordability of the county's housing, beginning by defining affordability.

What is affordable housing? Using the industry standard, housing is "affordable" if no more than 30 percent of a household's gross monthly income is needed to pay for rent or a mortgage payment plus utilities. When the proportion of household income needed to pay housing costs exceeds 30 percent, a household is considered "cost burdened."

The 30 percent threshold for housing costs ensures that households have adequate income to pay for other costs of living, including health and child care, groceries and transportation, home and automobile maintenance and personal income taxes.

The term "affordable" is broad, therefore, and the actual definition depends on a household's income level. When examining the need for affordable housing, the focus is mostly on low- to moderate-income households in a community. This is because the private market is better at accommodating middle-income to high-income households.

"Workforce housing" is used to describe housing that is meant to serve workers in a community who cannot afford to rent or buy housing on the private market. This type of housing is usually restricted to households who have a work history in a community. For example, in some communities, to be eligible to rent or buy a workforce housing product, a worker must have worked in a community for at least 30 hours per week for 4 consecutive years. In general, workforce housing serves households earning between 80 and 120 percent of the area median income.

The maximum amount that a low-income household in Bonner County (earning \$35,560 per year) could pay for a home without being cost burdened is approximately \$103,600 in 2006. For a moderate-income household (earning \$35,561 to \$41,990 per year), the maximum amount is \$125,400. These figures include payments for utilities, homeowner's insurance and essential utilities¹.

Can low- and moderate-income households afford to buy housing? A review of homes for sale and listed for sale in 2005 show that low- and moderate-income households have a very difficult time finding affordable homes to buy in Bonner County. Approximately 15 percent of homes for sale were priced so that moderate-income households could afford to buy them. In Sandpoint alone, only 5 percent of homes for sale in 2005 were affordable to low-income households (18 properties). Seven percent of homes for sale in 2005 were affordable to moderate-income households (24 properties).

Exhibit 4 shows the average and median sales prices of homes for sale in 2005 by geographic area (as defined by the Selkirk Association of Realtors). In all areas, both the average and median prices were above the levels that could be afforded by low- and moderate-income households in the county.

¹ Property taxes were based on the average property tax rate for Bonner County reported by the Idaho Tax Commission, factoring in the homeowners exemption. Utilities are assumed to be \$167 per month, based on the average amount paid as reported by survey respondents. Essential utilities do not include cable television or Internet access. Loan terms are assumed at 30 years, 6.5 percent interest rate and 5 percent down.

The Exhibit also presents the income needed to afford the average- and median-priced home by area, and the percentage of Bonner County households who could afford to buy at these prices.

**Exhibit 4.
Average and Median Sales Prices and Affordability, 2005**

	Sandpoint	NW Sandpoint (including Dover)	NE Sandpoint (incl. Ponderay & Kootenai)	W. Priest River (including town)	E. Priest River	N. Priest River
Average Sale Price	\$ 257,164	\$ 303,267	\$ 300,479	\$ 150,721	\$ 407,200	\$ 197,844
Median Sale Price	\$ 217,000	\$ 249,000	\$ 230,000	\$ 155,500	\$ 199,900	\$ 128,000
Income needed to afford:						
Average	\$72,733	\$84,575	\$83,859	\$45,393	\$111,270	\$57,497
Median	\$62,417	\$70,636	\$65,756	\$46,621	\$58,025	\$39,557
Approx. % of Bonner County residents able to afford:						
Average	10%	8%	8%	35%	4%	18%
Median	18%	10%	16%	35%	18%	40%
	S. Priest River	West Sagle	East Sagle	Cocolalla	Hope/Clark Fork	
Average Sale Price	\$ 157,968	\$ 322,838	\$ 317,850	\$ 289,811	\$ 532,532	
Median Sale Price	\$ 147,000	\$ 275,000	\$ 240,000	\$ 280,000	\$ 340,000	
Income needed to afford:						
Average	\$47,254	\$89,602	\$88,321	\$81,119	\$143,462	
Median	\$44,437	\$77,314	\$68,325	\$78,599	\$94,010	
Approx. % of Bonner County residents able to afford:						
Average	29%	7%	7%	9%	1%	
Median	35%	10%	14%	10%	4%	

Source: Source: Selkirk Association of Realtors and BBC Research & Consulting.

Based on the MLS analysis, the county's households who are low- to moderate-income would find the areas around Priest River most affordable. However, in 2005, there were fewer homes for sale in the Priest River area relative to the communities around Sandpoint and the City of Sandpoint. In 2005, there were a total of 615 single family units sold in and around Sandpoint compared to 183 in the Priest River area.

If households can't buy, can they afford to rent? The maximum amount of rent and utilities a low-income household could afford to pay per month in 2006 is \$884. A moderate-income household could pay as much as \$1,050 per month in rent and utilities without being cost burdened.

A review of newspaper ads in December 2006 and January 2007 found that, except for 3- and 4-bedroom homes for rent, the average prices on apartments and smaller homes were mostly affordable to low-income households and affordable to moderate-income households. However, the supply of lower-priced rentals (apartments and 2-bedroom homes) was much lower than higher-priced homes for rent. That is, a moderate-income renter is likely to afford to rent a 1- to 2-bedroom apartment (and a low-income household might be able to), but their choices are much more limited than if they could afford to rent a detached, single-family home.

Exhibit 5 shows the average and median rental prices by apartment or house and bedroom size in Bonner County based on the newspaper ads, along with the percentage of renters in the county who could afford to pay the median rent plus average utilities.

Exhibit 5.
Average and Median Rents, Bonner County, December 2006 and January 2007

	Average Rent	Median Rent	Income Needed to Afford Median Rent and Utilities	Percent of Renters who Could Afford
1 Bedroom Apt	\$477	\$488	\$26,180	41%
2 Bedroom Apt	\$710	\$625	\$31,680	33%
3+ Bedroom Apt	\$728	\$625	\$31,680	33%
1 Bedroom House	\$658	\$663	\$33,180	31%
2 Bedroom House	\$728	\$675	\$33,680	30%
3 Bedroom House	\$1,024	\$1,000	\$46,680	18%
4+ Bedroom House	\$1,435	\$1,495	\$66,480	9%

Note: Income Needed to Afford column includes rent payment and average cost of utilities.
Source: BBC Research & Consulting.

What is the affordability gap? The price analysis of homes available to buy and apartments and homes available to rent showed that low- (earning \$35,560 and less) to moderate-income (earning between \$35,561 and \$41,990) households have a very difficult time buying in most areas of Bonner County. Finding a place to rent is easier, mostly for moderate-income households.

The current choices for households looking to purchase housing is limited. Households looking to buy are limited geographically unless they can pay at least \$250,000 for a home. Renters would find the largest supply of rentals in 3- to 4-bedroom homes renting between \$1,000 to \$1,500 per month—somewhat affordable to moderate-income households, but not low-income households.

To determine where the affordability gaps exist by income level, we compared the existing market of ownership and rental housing with the household income distributions of residents in the county, and separately for Sandpoint. The number of residents in each income range was based on current population estimates from the State of Idaho. This comparison found the following:

- Rental supply.** Approximately 37 percent of Bonner County renter households (1,374), and 39 percent of Sandpoint renters (654), earn less than \$15,000 per year. These renters can afford to pay about \$200 per month for rent if they are also paying utilities (\$375 total for rent and utilities). Only two apartments listed for rent between December 2006 and January 2007 were affordable to renters at this income level. These renters also have a small supply of subsidized units to assist them—however, the number of units is far fewer than what is needed to serve the approximately 1,400 renter households countywide with incomes of less than \$15,000. We estimate that there is a shortage of 1,200 affordable units countywide and 500 affordable units in Sandpoint to serve renters earning less than \$15,000 per year.

- Renters earning between \$15,000 and \$25,000 also have a difficult time finding rental housing to serve them because of the limited supply in their affordability range. We estimate that there is a shortage of 500 units countywide and 150 units in Sandpoint to serve renters in this income range, who need units with rents less than \$450 per month (or \$625 with utilities included).
- **Renters wanting to buy.** The majority of renters are priced out of the housing market in Bonner County and Sandpoint. In the county, approximately 58 percent of renter households earned less than \$25,000 per year (61 percent in Sandpoint). Renters at this income level need homes priced less than \$54,000 to afford to buy them, and pay property taxes, homeowner’s insurance and utilities costs. According to the MLS data, during 2005, there were 8 units for sale in the Sandpoint area affordable to renters at this income level, another 8 in the Priest River area and 4 in Hope/Clark Fork—together representing about 3 percent of all units for sale in these areas during 2005.
- Data from the Bonner County Assessor paint a slightly different picture of the for sale market, showing the market to be more affordable at the lower end. The Assessor’s data include a larger number and greater diversity of sales transactions. As such, the data are more representative of the overall home values in the market. MLS data better represent what a buyer would have available to purchase through a real estate agent. An analysis of sales prices of more than 2,000 residential property sales transactions in 2005 and 2006 found that approximately 40 percent of the properties were priced at a level affordable to moderate-income households. The Assessor’s data suggest the only significant gap between renters and properties available to buy occurs for renters who need properties priced at less than \$33,000.

Effects of Housing Costs on Employment

To analyze how the housing market in Bonner County affects employers, we collected and analyzed surveys from area employers. A total of 39 employers participated in the survey effort. Together, these employers provide jobs to more than 3,000 full-time equivalent jobs in the county². The industries represented by the employer surveys are diverse, and include professional and financial services, education, tourism, health care, retail, real estate and manufacturing. Occupations represented include sales, bookkeeping, engineers, assemblers, teachers, bankers, real estate professionals, housekeeping, middle and upper management, nurses and civil servants.

Employers were asked how the changes in the housing market during the past 5 years have affected their ability to recruit workforce. The vast majority of employers—85 percent—said the changing market has affected their ability to recruit workforce negatively or very negatively (24 percent negatively, 61 percent very negatively). Sixteen percent said the changes in the market had positively affected their ability to recruit workforce.

² The Idaho Department of Commerce and Labor reported 14,366 total wage/salaried workers as of fourth quarter 2005. The employer survey data collected for this study collected full time equivalent (FTE) employees. If employees average 1.2 jobs, the employer surveys captured an estimated 25 percent of FTE positions in the county.

Exhibit 6.
“How has the change in the market during the past five years affected your ability to recruit workers?”

Source:
 Employer surveys and BBC Research & Consulting.

Very Negatively	24%
Negatively	61%
Positively	13%
Very Positively	3%

Employers were also asked to characterize their workers’ experience finding housing in Bonner County. Exhibit 7 shows that the vast majority of employers said their workers have a difficult or very difficult time finding the housing they need.

Exhibit 7.
“How would you characterize your workers’ experience finding housing?”

Source:
 Employer surveys and BBC Research & Consulting.

	Rental	Homeownership
Very Difficult	26%	44%
Difficult	54%	44%
Easy	21%	11%
Very Easy	0%	0%
Percent Difficult/Very Difficult	79%	89%

Housing future workers. Examining job growth by wage category can assist with determining future housing needs. For example, if most of the future jobs in an area pay low wages, future housing needs are likely to be at the lower price range, all other things being equal. One limitation of this exercise is that household formation and change—people getting married or divorced and having or not having children—can have a large effect on housing preferences and affordability. A teacher starting his first job might have a very difficult time finding a home to buy in his price range until he marries someone who is employed as a tax attorney, at which point housing affordability becomes much less of a concern.

Nonetheless, employment growth is important as a baseline indicator of future housing need. The employment projections in the next 10 years that were estimated by the employers contributing to this survey can be thought of as a lower-bound estimate of growth. Given these estimates, in the next 10 years, housing will be needed to accommodate approximately 1,000 new positions (240 of which will be seasonal). Some of these workers will occupy the same housing units. If we assume that each housing unit has 1.5 non-seasonal workers, then, in 10 years, approximately 500 units will be needed to accommodate the growing non-seasonal workforce *of the employers surveyed*. Additional units will be needed to accommodate the 240 new seasonal workers.

As mentioned above, the employer survey data collected for this study represents approximately 25 percent of covered employment in the county. Since 2000, total employment in the county has grown from 11,003 in 2000 to 14,168—or at an average of more than 500 jobs per year. The job growth projections reported by the employers who contributed surveys to this study are therefore between 20 and 25 percent of the likely employment growth that could occur in the county, if growth in the next 10 years is similar to the past five.

Based on the wage information submitted by the employers and their projected distribution of new employment positions, about half of the new non-seasonal workers would need rental units priced between \$425 and \$945, or for sale units priced less than \$157,000 (in today's dollars). Another half would need housing with rents ranging between \$945 and \$1,725, or for sale units priced between \$157,000 and \$287,000. Seasonal workers would need units affordable at less than \$425 per person per month.

New workers earning less than \$10 per hour would need to find below-market rate rental units, or share market rate units with roommates or other wage earners. Currently, most of the subsidized (most affordable) rental units in the county are located in Sandpoint³. Workers earning more than \$10 per hour would find market rate rentals easier to come by, but buying would be difficult. Based on the 2005 sales data from the MLS, the Priest River area would have the most affordable housing for workers earning between \$10 and \$20 per hour to buy. Workers in the \$20 to \$35 wage range (mostly those at the higher end) could find some housing in Sandpoint affordable, in addition to Sagle. The incomes needed to afford the median- and average-priced for sale housing in other parts of the county are higher than what the majority of the new workers would be earning.

Zoning and Land Use Barriers

As part of this report, we reviewed the land use and zoning codes of the county and cities/towns within the county to see how the ordinances encouraged or discouraged the development of housing affordable to the county's workforce and other low-income households. This review found the following barriers to such housing development:

Suburban zoning. Both the City of Sandpoint and Bonner County have relatively large lot size requirements, which are typical of suburban zoning. Such zoning may be desirable at some level, but it does not facilitate development of affordable or workforce housing. In high cost areas, reducing the cost of land through increased density is key to reducing housing prices.

Sandpoint. The City of Sandpoint's required lot size for detached, single family housing developments ranges between 7,100 and 10,000 square feet⁴. Front setbacks on these lots (how far back from the street a home can be built) are required to be 20 feet. Height limits for the homes are 35 feet or about 2 ½ stories.

Attached units and multifamily housing have greater densities, but similar setback requirements and height restrictions⁵. In the city's Residential C zoning category, for example, 20 multifamily units would be allowed per acre.

The City of Sandpoint's current comprehensive plan contains several goals and policy options to allow the city to promote affordable housing development. (The City is in the process of updating its

³ Subsidized units include units that were developed using the federal Low Income Housing Tax Credit (LIHTC) program and Section 8 project-based units that received mortgage subsidies.

⁴ Some areas of the city are zoned for minimum lot sizes of 10,000 square feet and more. In addition, single family dwellings are a permitted use in the city's Professional and Commercial zones, with a minimum lot size of 5,500 in the Professional zone and no minimum in the Commercial zone.

⁵ Front and rear setbacks are the same, but the side setbacks increase from 5 feet to 10 feet.

current Comprehensive Plan). In addition, the city's zoning ordinance gives the planning director authority to require alteration of a building site plan so as to "seamlessly integrate a smaller lot development within a neighborhood." The purpose of this is to allow new development adjacent to legally nonconforming lots (lots that were created years ago that do not conform to the current minimum lot sizes) to conform with surrounding uses.

Discussions among city leaders and planners at the workshops held for this study pointed to a lack of a formal plan—and lack of agreement that one is needed—to increase density and incorporate new urbanist development into the city, as an effort to increase the availability of affordable housing.

That said, Sandpoint recently incorporated density bonuses for planned unit developments that provide desirable features to the community, including workforce housing. Under the modified ordinance, the Planning Commission may authorize an increase in the residential density up to 40 percent of the allowable number of dwelling units. A maximum 10 percent density bonus is offered for the provision of workforce housing (the remaining bonuses are tied to landscaping, siting and design features).

This type of change is very positive. We recommend that the City's Planning Commission define workforce housing more broadly to include affordable housing, using the needs identified in this report. Specifically, rental housing should be priced at less than \$425 per month, and housing to buy should be priced between \$100,000 and \$170,000. The amount of bonus offered should also be tied to the level of affordability of the workforce/affordable units, where deeper subsidies (rental units priced less than \$425 and homeownership units priced between \$100,000 and \$125,000) get larger bonuses—perhaps up to 15 percent.

Bonner County. In Bonner County, "high density" zoning districts require a minimum lot size of 10,000 square feet for a single family home. The minimum lot size for a duplex is 12,000 square feet. Multifamily zoning calls for a first unit on 12,000 square feet and subsequent units on 3,000 square feet. All sites are required to provide a minimum of 65 percent of the total site in open space, free of structures.

Bonner County is currently updating its land use codes. The Draft Code includes a provision for cottage housing. The cottage housing standards require a minimum of 4 and a maximum of 12 units located in a cluster grouping. The units must have less than 1,500 square feet, and twice as many cottages are allowed on a lot as non-cottage units. For example, if a property was large enough to accommodate 3 residential dwelling units, 6 cottage units would be allowed. If implemented, this density bonus would reduce land costs for cottage units by spreading those costs over twice as many residential units. However, the county should more directly tie this density bonus to affordable housing. If the cottage units are purchased by investors, second homeowners or retirees, they will not contribute to the stock of affordable housing for workforce.

The type of zoning in Sandpoint and Bonner County is fairly standard for suburban areas. However, the current requirements do not facilitate the development of affordable housing, which requires greater density. For example, splitting a 10,000 square foot lot into two 5,000 square foot lots accommodating two dwelling units would substantially reduce the cost of the housing units by

lowering the cost of land⁶. Similarly, increasing the height limits for multifamily developments to between 3 and 5 stories in certain areas (commercial corridors, high density areas) would allow more units to be developed on the same plot of land—increasing the supply of housing stock and using existing land wisely.

Rural zoning/Large lot sizes. Outside of Sandpoint, most areas in the county have very large minimum lot sizes and lack any incentives to facilitate the development of affordable housing.

For example, in Dover, new residential development cannot be less than three units per acre. The minimum lot size for “residential” development is 12,000 square feet; “suburban” development has a lot size ranging from 1 to 3 acres. Much of the land in Dover is zoned for agricultural and rural development.

Large lot size zoning in these communities is largely related to two factors: 1) Desire for the communities to maintain a “rural character,” and 2) Lack of public sewer systems serving these areas. Larger lots are needed to provide adequate separation between septic drainfield systems and wells, to prevent groundwater/well contamination. For example, in February 2005, Bonner County adopted an ordinance that established a 2 ½ acre minimum lot size for residential parcels not served by public water and sewer systems. Parcels served by public water systems, but still using septic tanks/drainfield systems, are allowed a 1-acre minimum.

Development incentives. Except for Sandpoint, there are no incentives offered to encourage developers to incorporate workforce housing into their developments. Bonner County is considering offering density bonuses for open space conservation and cottage housing, but not specifically for workforce housing. In Sandpoint, the number of parking spaces required—2 spaces per unit—can make density difficult to achieve. A parking requirement waiver for affordable developments would facilitate greater density and affordability.

Lack of public water and sewer systems. The lack of public water and sewer systems serving much of Bonner County is a significant barrier to increasing density in the county and facilitating affordable housing development. If public systems were extended and the communities adjusted their zoning ordinances to allow smaller, truly suburban and urban size lots, this could make a significant contribution to the development of affordable housing, and go a long way in reducing the inevitable sprawl that will occur as workforce continues to seek affordable housing further into the county.

It is also important to mention that lack of private ownership is also a barrier to affordable housing development. Approximately 40 percent of the land in the county is privately owned. Of this land, steep slopes, floodways, wetlands and waterways further constrain development. However, this is a barrier that the cities and county have a very limited ability to change, barring acquiring land from federal entities.

⁶ Bonner County is considering a similar policy for cottage housing units, as discussed above.

Housing Needs and Recommendations

The recommendations presented below are intended to offer a balanced approach for promoting affordable housing among and within the communities in Bonner County. A collaborative engagement, which spreads the cost, impact, and rewards among all interested parties, will have the greatest chance for success. In addition, because Sandpoint is limited in how much the city can grow before it reaches build out, Bonner County and other communities within the county will need to be major players in providing affordable housing, especially for new workers.

Why housing needs should be addressed. Providing affordably priced housing presents unique challenges. The very premise behind this goal is that housing costs have exceeded the capacity of an important segment of the community's workforce to purchase reasonable housing within or near the community. In essence, there exists a financial or funding gap that must be reconciled in order to provide affordable housing in high-cost communities.

For certain households, this funding gap is addressed through federal programs—e.g., programs that provide direct rental subsidies to very low-income renters. Other federal programs provide low-interest loans or credits against federal taxes for construction of affordable rental units. There are also federal- and state-sponsored programs that help first time, low- to moderate-income homeowners with the costs of a downpayment and closing costs, and/or offer below-market mortgage loans. In markets with rapidly increasing prices, however, these subsidies are inadequate to completely close the funding gap between what is affordable for the workforce and market prices. As such, a collaborative effort, between state and local government, employers and developers, is required to produce the needed housing opportunities.

If Bonner County and its communities fail to implement steps to create more affordable housing, affordability is likely to worsen. A larger proportion of existing renters and most new employees will find themselves priced out of the for sale market, and their only option will be to rent or commute longer distances. Less expensive development will occur consistent with market support, but it will be located outside of the core employment areas in the county. As the demand for rentals increases for those unable to buy, rental costs will rise. The county's lowest income renters will have even more difficulty paying their rent and bear a higher cost burden.

Greatest housing needs in Bonner County. Based on the research conducted for this study, we have identified four primary housing needs in Bonner County:

Affordable for sale housing. Currently, the most acute housing need in the county is for affordable, for sale housing. Households must earn at least \$50,000 per year before one-third of units for sale in the county become affordable for them to buy. Sandpoint is even less affordable, with about one-fifth of units affordable for households earning \$50,000.

In the county, in 2006, there were approximately 1,000 renter households earning between \$25,000 and \$50,000 per year. Based on sales data from 2005, these renters had about 250 homes to choose from if they wanted to buy. The vast majority of renters surveyed for this study said they would like to buy if they could afford to.

Increasing the supply of affordable for sale housing—priced between \$100,000 and \$170,000—would enable these renters, as well as new workers moving into the county, to achieve homeownership. This would also free up the rental units these renters are occupying, and make these units available to other and new renters with housing needs.

Deeply affordable and transitional housing. The rental market appears to be adequately serving all but the lowest-income renter households (those earning less than \$25,000 per year). These renters make up a large proportion of renter households in the county (an estimated 58 percent in 2006). The need is more acute in the county because Sandpoint has the vast majority of assisted housing units which are generally affordable to these renters.

Indeed, the gaps analysis conducted for this study found a shortage of deeply subsidized units (rents less than \$450 per month) to serve the county's lowest-income renters. These renters are unable to find the housing they need and, as such, are cost burdened. Based on the waiting lists of the county's providers of the most affordable rentals and occupancy at area shelters/transitional housing units, between 25 to 35 units could be added to the inventory of assisted rentals and be absorbed quickly.

In addition, based on the waiting lists and interviews of homeless service providers, additional transitional housing units (5 to 10 units) are needed to assist families transitioning out of homelessness. These families are unable to find affordable housing and are living in shelters and their cars.

Rentals for seasonal workers. The new seasonal workers who are expected to join the workforce in the next 10 years will need rental housing priced less than \$425 per month if they are occupying units alone. If they live with others, they will need units priced between \$950 and \$1,275 per month. The private market is currently providing rents in this range. Future price increases will depend on the ability of the supply of units to keep up with demand, as employment grows. It is likely that the seasonal employers will need to add housing to accommodate their workforces in the next 5 to 10 years.

Affordable housing for seniors. Although this study did not contain a detailed analysis of the senior housing market and needs, it is likely that as the county's population ages, affordable senior housing with services will be needed.

Recommendations

Given these needs, we recommend the following course of action for the City of Sandpoint, other communities within the county and Bonner County:

Action Item 1. Plan for increasing affordable housing opportunities at a regional level. The City of Sandpoint is constrained in its opportunity to grow and accommodate future workers. Developable land within the city boundaries and annexation opportunities are limited. It is imperative that Bonner County and the other communities within the county engage in regional planning around affordable housing in order for the supply of housing to keep up with demand from future workers.

We recommend that the City of Sandpoint and Bonner County partner to create a regional planning task force, with the goal of better communicating and coordinating planning and development efforts. This group should also create workforce housing unit targets in each community and countywide to address existing and growing workforce housing needs.

Why plan regionally? In the absence of a regional approach to addressing housing needs, development will occur where there is opportunity (land, zoning) and the desired return/profit. As long as there is land and demand for larger lot, scattered-site homes, developers will continue to respond to this segment of this market. As land is converted to development, developers will move further out into the county seeking available, vacant land. Under this pattern of housing growth, less expensive development will be placed in areas where land costs are lower, generally further away from desired amenities and services.

Without some integration of mixed-income housing, affordable to the workforce into the county, new employees will be need to “drive until they qualify” to find housing to buy. Rental housing is likely to continue to be scattered throughout the county, in the form of detached single family homes not occupied by owners/investors and mobile homes.

An example: The City of Sandpoint is the largest incorporated municipality in the county, and the location of many of the county’s jobs. The city also has relatively limited opportunities for future development. If Sandpoint is unable to provide additional affordable housing within the city, as jobs continue to grow, workers will need to seek housing outside of the city limits. (According to the employee survey, many do this now). If the surrounding communities do not provide affordable housing, workers will need to find housing further and further from their areas of employment. This lack of planning (in the absence of a large market shift) generally creates a “leapfrog” approach to development, with employment centers at the core and affordable housing located further and further beyond the more expensive areas of housing—which tend to surround the nucleus of employment, amenities and services.

An often and unintended consequence of lack of planning is that some cities/towns end up providing more than what they perceive is their “fair share” of affordable housing. These cities/towns are then likely to focus on increasing the supply of higher end development to remain competitive with higher-end communities. Affordable housing is then pushed out even further into newer, less developed towns (and the cycle repeats itself).

Another, more visible, consequence is increased traffic and congestion as workers find themselves with longer and longer commutes. Initially, workers bear the cost of sprawl in the time they pay commuting. Eventually, investments in transportation infrastructure are needed to accommodate the growing number of cars on the roads.

Individual cities and towns can address this problem independently, setting goals and a strategy for serving their residents and workforce and bringing their markets closer to being balanced. However, housing markets do not exist in vacuum, and development and commuting patterns of the workforce in one area are determined by the availability of housing in surrounding areas.

Approach. The best approach to regional planning is for each city/town to agree on housing a certain proportion of the current and future workforce, recognizing that residents also have preferences for housing and that the cities/towns cannot dictate where workers will live. The key is to create opportunities for workers to live closer to work if they so desire. This would require the following steps:

- Project the number of new jobs by city/town that will be created in the next 10 to 15 years, using historical growth from the Idaho Department of Commerce and Labor and the employer surveys collected for this study (supplementing these by collecting additional employer surveys). Estimate the number of jobs held by each worker⁷.
- Determine a maximum length of commute that the cities/towns would like the workers to experience (e.g., 20 to 30 minutes). Determine the ideal number of workers to be housed in and surrounding the areas of employment.
- Estimate the number of housing units needed for each area by grouping the workers into appropriate household units. For example, seasonal workers may live in dorm-style housing.
- Set goals for the number of housing units desired in each city/town.
- Engage the development community in the discussion about workforce housing provision and how they can be part of the solution. Agree on offering incentives and/or requirements for developers to build workforce housing.

The cities/towns should also work together to develop a joint package for developers interested in developing affordable housing, describing incentives offered by the cities/towns, resources available at the state level (how to apply for these resources, how the cities/towns can assist them in getting favorable loans for development).

In addition to this direct approach to facilitate development of workforce housing, we recommend this planning group engage and educate employers about how they can assist their employees in finding housing. Rather than have each employer craft their own programs and policies, we recommend that the regional task force develop a model program for all employers, which utilizes existing resources such as IHFA's downpayment assistance programs and reduced mortgage interest programs (IdaMortgage).

We also recommend that the regional planning group be modeled, in part, after Colorado's Rural Resort Region planning effort, which focuses on workforce housing (see Appendix B for more detail on the RRR).

Action Item 2. Inventory and identify land parcels appropriate for affordable housing development. The City of Sandpoint, surrounding communities, and Bonner County should partner to identify publicly owned land, both vacant land and land currently being used/leased, that might be appropriate for affordable housing development. (The regional task force recommended in Action Item 1 above could also manage this effort).

⁷ We used 1.2 jobs per worker for this study.

We recommend that the cities/towns and county initially identify land which could be immediately developed and accommodate up to 250 units of affordable housing. Additional parcels should be identified for future (3-5 years) affordable housing development potential.

Private landowners who are also employers in the community should also be engaged in this effort to the extent possible. Private land owners and developers may be motivated to donate some or all of the market value of property that is suitable for affordable housing development. This motivation may be charitable in nature, or it may be part of a developer/owner's efforts to meet requirements and gain governmental approvals for new development. Land donation can also be linked to other developer incentives (e.g., density bonuses).

- First, the cities and county should individually identify the land they own (including School District property), participating private landowners/employers own, existing use, and lease terms if leased (e.g., revenue produced, period left in lease, ability to break lease if desired).
- The cities and county should create maps showing the location of the parcels and adjoining uses.
- Working together, the cities and county should engage a real estate and planning consultant to evaluate the feasibility of each of the parcels for creation of affordable housing development. This feasibility should take into account current and future surrounding land uses, proximity to commercial properties/areas of employment, transportation/transit opportunities and general appropriateness for residential development.
- Once the development feasibility of the parcels is completed, the City of Sandpoint, surrounding communities and the county should identify parcels with the highest and best affordable housing development potential. Private landowners should be contacted about their interest in developing the properties for affordable housing development, in exchange for development incentives.
- If these parcels are dedicated to the development of workforce housing, the city/county and/or School District would be entitled to dedicate the housing that is development for its workforce. Similarly, private landowners (employers) who donate land would be entitled to use the housing developed for their workforce.

Action Item 3. Create a workforce housing village. To address the immediate and future demand for workforce housing to buy and rent, we recommend that the City and Sandpoint and Bonner County identify parcels of land within or in close proximity to employment centers that would be appropriate for development of a workforce housing village. Such land may be publicly or privately owned, and assessed for feasibility as part of Task 2. This would be a master-planned community with a goal of creating a diverse mix of housing types—dormitory style housing for seasonal workers, affordable apartments, affordably priced townhomes and single family homes for purchase and market rate housing—available to workforce only. The cities and counties should work together to assemble the land and acquire property to create such a village, and then issue a Request for Proposal for development by a private developer.

Action Item 4. Change and update zoning. The City of Sandpoint, Bonner County and the smaller cities and towns in the county should update their zoning ordinances to better accommodate and encourage the development of affordable housing. The City of Sandpoint is currently updating its Comprehensive Plan, which will include a review of current and potential land use and zoning and would be an appropriate opportunity to consider these recommendations.

- **Allow for increased density in municipalities/urban growth areas.** Increasing the allowed density of residential developments would facilitate the construction of a larger number of housing units on smaller lots. In a land constrained market with escalating costs of land and property values, adding to the supply of housing will help address demand. This will, in turn, help housing prices stay lower, provide opportunities for workforce housing and reduce sprawl and commutes of workers.

Increasing allowable densities will alter the very suburban, rural feel of many of the areas in Bonner County. However, if done appropriately—using good design standards, preservation of open/community space and incorporating a mix of housing sizes and types—the communities can both maintain a rural nature and develop in a way that accommodates housing demand, reduces congestion and mitigates sprawl.

Exhibit 8 compares the minimum lot sizes in Sandpoint and Bonner County with minimum lot sizes in similar communities. As the Exhibit demonstrates, the minimum lot sizes of 7,100 to 10,000 square feet in Sandpoint are larger than peer communities which have purposely reduced lot sizes to facilitate affordable housing. For the county, comparable counties—Eagle County and Summit County, both in Colorado—have smaller lot requirements in their high density districts, with lot sizes of between 6,000 and 7,260 square feet. Blaine County, Idaho’s minimum sizes are similar to Bonner County’s.

**Exhibit 8.
Minimum Lot Sizes by Development Type**

	City of Sandpoint	Bonner County	Hailey, Idaho (General Residential)	Missoula, Montana (High Density)	Durango, Colorado (High Density)
Single Family Detached	7,100 - 10,000	10,000	6,000	5,400	4,000
Duplex	7,100 (1 unit) - 5,325 (per unit, 2 units)	6,000 per unit	10 lots/acre (4,350 per lot)	5,400 per unit	7,500 per two units (3,750 per unit)
Townhome	Generally 3,525	12,000 for first unit; 3,000 thereafter*	10 lots/acre (4,350 per lot)	Varies by unit size, 1,000 to 3,600 sq. ft. per unit	No minimum required
Condo	Up to 30 units/acre	12,000 for first unit; 3,000 thereafter*	10 lots/acre (4,350 per lot)	Varies by unit size, 1,000 to 3,600 sq. ft. per unit	No minimum required
Density Bonus for:	Workforce Housing - 10 percent	PROPOSED: Cottage Units - 2x number of dwelling units Open Space/ Public Access			

*Note: Bonner County does not have a townhome or condominium option; these densities reflect those for the county's general multifamily category. Source: BBC Research & Consulting and the land use and zoning ordinances in the respective communities.

- **Zone districts to allow more multifamily rentals.** Much of the rental stock in the county is in the form of detached, single family homes. These units carry higher rental and utility costs. Allowing more multifamily units will give renters in the county more housing options, which are much needed at the most affordable level.
- **Create incentives for developers.** Private market developers have few market incentives to produce affordable housing in high-demand markets. Some developers will find a market niche in producing affordable housing, but this usually occurs once the higher ends of the market begin to soften. In the absence of requirements or incentives to produce affordable housing, private developers are unlikely to meet existing need. If the incentives are properly designed and equitably applied among developers, there is really no downside to creating development incentives for affordable housing.

We recommend that the cities/towns and Bonner County offer incentives for developers in the form of density bonuses and building variances to help offset the costs of affordable housing development, thereby decreasing the prices of the homes and/or rental units developed.

Action Item 5. Extend public water and sewer systems. An analysis of the potential to extend public water and sewer systems to un-served residential areas was beyond the scope of this study. However, the lack of such systems and consequential need for large lot zoning creates a major barrier to affordable housing development. This barrier can only be actively addressed through concerted planning efforts to create regional water and sewer systems.

Action Item 6. Implement employer assisted or sponsored housing opportunities. Employers can play an important role in the development of workforce housing. To the extent that they contribute to the development of the housing, they should be entitled to have a portion of the housing available for their workforce.

Because they are not constrained by federal funding requirements, employer donations can be an important contribution to creative housing solutions. Some common tools for employer-assisted housing include:

- Donation of land for affordable housing development.
- Direct contributions toward development costs.
- Contributions to a housing trust fund that can be used to subsidize both affordable ownership housing and rental housing.
- Imposition of a tax on their goods which would create a “public investment fund” of PIF, the proceeds of which would be used to develop workforce housing jointly for their employees.
- In addition, employers can make their employees aware of the various housing programs, including downpayment assistance and low-interest loan programs, offered in their communities.

Employer-assisted housing committee. Employers in Bonner County have recently begun working together to explore solutions to workforce housing needs. An Employer-Assisted Housing Committee has been formed, represented by area employers. The EAH Committee is working to create a nonprofit housing organization with the following objectives:

- Create a vehicle through which employers can donate, tax-free, to creating workforce housing through a local housing trust fund. This model has been used effectively in Santa Clara, California, where a \$30 million affordable housing trust fund was created and seeded by employers.
- Inform employers of housing opportunities for their workforce. An example would be the guide created by the Colorado Rural Resort Region task force “Housing Your Workforce: A Resource Guide for Colorado Rural Resort Employers,” available at <http://www.nwc.cog.co.us/Rural%20Resort%20Region/Rural%20Resort%20Region.htm>.
- Develop a model program for all employers, which utilizes existing resources such as IHFA’s downpayment assistance programs and reduced mortgage interest programs (IdaMortgage).

We commend employers and the City of Sandpoint on the creation of this committee, and recommend that its current efforts be continued, with the goal of implementing the objectives outlined above. This committee should also interface—and have a role in—the regional planning efforts recommended in Action Item 1.

Action Item 7. Educate the public about options for development, the consequences of sprawl and how affordable housing can be attractive and dense.

Many residents moved to the Greater Sandpoint area to acquire relatively large lots, live close to nature and enjoy a rural lifestyle. This desire still exists for many residents, as revealed in the resident survey conducted for this study. However, if the cities/towns and Bonner County do not change their development patterns to accommodate future workforce and population growth, the benefits of rural lifestyle—non-congested roads, ease of commuting, land preservation and access to nature, and relatively affordable housing—will soon diminish.

To build support for workforce housing development, residents need to be educated about the need for workforce housing to sustain the region’s economy. Residents also need to be shown good examples of dense development and workforce housing to assure them that such development (if done appropriately) can improve the design and amenities offered in a community.

The regional planning task force recommended in Action Item 1 could take on this effort, by sponsoring workshops about sustainable and quality workforce housing development, as well as smart growth policies and initiatives. Providing examples from other communities will be key in convincing residents that dense development can be done well, and will make a positive contribution to the Greater Sandpoint area.