

**CITY OF CHELAN
CITY COUNCIL SPECIAL
WORKSHOP AGENDA**

1. CALL TO ORDER AND ROLL CALL
2. AGENDA CHANGES
3. WORKSHOP DISCUSSION TOPICS
 - A. 2027 Budget Workshop No. 1 (Finance Director Evans)
 - B. Resolution No. 2026-14XX Affordable Housing Grant Funding Policy (Finance Director Evans)
 - C. Short Term Rental Discussion (Community Development Director Ajax)
 - D. Public Works Project Status Update (Public Works Director Youngren)
4. CITY ADMINISTRATOR AND DEPARTMENT REPORTS
5. MAYOR AND COUNCIL COMMENTS
6. ADJOURNMENT

Our Vision

Chelan is a rural lakeside community surrounded by pristine natural beauty where generations of visitors and residents enjoy an exceptional quality of life.

Our Guiding Principles & Outcomes

Visionary & Strategic - A city that is forward-thinking, collaborative, and fiscally responsible.

Thriving & Connected - A vibrant, well-planned city where residents have a sense of home.

Healthy & Sustainable - A flourishing city that supports an active community.

Accessible & Welcoming - A safe city where everyone can find community.

The next meeting will be a City Council Regular Meeting on August 11, 2026, beginning at 5:15 p.m. in Council Chambers, 135 E. Johnson Avenue, Chelan, Washington.

A City Council meeting packet is available for review on the City's Website:
cityofchelan.gov/meetings



Subject/Title: Resolution No. 2026-14XX Affordable Housing Grant Funding Policy
(Finance Director Evans)

Department: Finance

Staff Contact: Heidi Evans

Guiding Principles: Accessible & Welcoming

Initiatives: Diversify Housing Options

Reviewed By: City Administrator and Finance Director

Number of Looks: Look No. 2 of 3

PREVIOUS ACTION TAKEN

The Affordable Housing Policy and application was originally adopted on June 23, 2020. Council discussed this item during the June 2, 2026 workshop.

OVERVIEW

This is a continued discussion by the Council regarding the parameters of the City's Housing Grant Funding Program and builds on the discussion had by Council during the June 2, 2026 workshop. Between feedback provided by City Council, area affordable housing agencies, and the City Attorney, staff is presenting a complete overhaul of the policy and application than what was previously reviewed in June. This newly proposed policy aims to better explain to applicants that funding may come from multiple sources that have varying levels of restrictions to be able to award from and lastly, depending upon how the funding is utilized, may come with additional protections for the City, such as deed restrictions for capital awards and measurable deliverables for supporting initiatives such as rental assistance, first time homebuyer classes and other such programs that support area housing initiatives.

To recap the funding side of this conversation: the Affordable Housing Fund (Fund 105) receives funding from three (3) main sources: state shared tax revenue, developer contributions, and council designated contributions during the budget cycle. The City receives approximately \$15,500 a year from affordable & supportive housing state shared tax revenue, and those funds can be spent in accordance with RCW 82.14.540 and Chapters 3.84 & 3.86 of Chelan Municipal Code. These are the most restricted dollars in Fund 105. Funds received from developer or Council-driven contributions are more flexible and will be governed by the Council's final policy.

FINANCIAL IMPLICATIONS

The total fund balance as of May 28, 2026 is \$133,214.72 of available funding it could award; \$16,805.81 is restricted as it originates from the state tax revenue and the remaining \$116,408.91 could potentially be awarded under the Affordable Housing Policy. The City has approximately \$15,500 of state shared tax funds they could award each year, but Council did not designate any funding contributions in 2026, nor are there any developer contributions anticipated for the year.

ATTACHMENTS

1. Resolution No. 2026-14XX

SUGGESTED MOTION

None.

RESOLUTION NO. 2026-14XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHELAN, WASHINGTON, ADOPTING AN AMENDED AFFORDABLE HOUSING FUND POLICY AND APPLICATION, ESTABLISHING CAPITAL AND PROGRAM AWARD CATEGORIES, AND SUPERSEDING THE POLICY AND APPLICATION PREVIOUSLY ADOPTED.

WHEREAS, in 2019, the City Council adopted the original affordable housing policy and application process; and

WHEREAS, amendments were made earlier in 2026 to Chapter 3.84 — Housing Fund 105 and Chapter 3.86 — Sales or Use Tax for Affordable Housing to bring language consistent with legislative changes that have occurred since the inception of the 2019 affordable housing policy; and

WHEREAS, in addition to the affordable and supporting housing sales and use tax proceeds collected under Chapter 3.86 and RCW 82.14.540, the City may receive developer contributions earmarked for affordable housing purposes and/or City Council may designate funding during the budget adoption or amendment process to allocate towards affordable housing, making a policy on how to award such funding necessary; and

WHEREAS, the City has identified that affordable housing needs in the community are served both by real property development and by programs and services—including rental assistance, housing counseling, and case management—that do not involve the development or ownership of real property, and the City Council finds it in the public interest to make Housing Fund 105 available to support both; and

WHEREAS, the City Council finds that awards involving real property shall continue to be secured by a recorded deed restriction, and that awards for programs and services shall instead be secured by a written grant or service agreement providing for defined performance terms, reporting, and a right of recapture, so that the City receives a defined and enforceable public benefit in exchange for any award made under this Policy; and

WHEREAS, monies collected under Chapter 3.86 and RCW 82.14.540 are subject to income limitations established by that statute, and the City Council finds it necessary to confirm that those limitations continue to apply to any award funded from that source regardless of the general eligibility standard otherwise established in the Policy; and

WHEREAS, the City Council has adopted a conflict of interest procedure, consistent with chapter 42.23 RCW, to address circumstances in which a City officer has a remote interest in an Applicant organization.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHELAN AS FOLLOWS:

Section 1. The City Council hereby adopts and approves the Affordable Housing Fund Policy attached hereto as Exhibit 1, and the Application for Affordable Housing Funds (Appendix A) attached hereto as Exhibit 2, each as amended.

Section 2. The Affordable Housing Fund Policy and Application adopted by this Resolution supersede and replace the Affordable Housing Fund Policy and Application previously adopted by the City Council.

Section 3. This Resolution shall take effect immediately upon adoption.

ADOPTED by the City Council of the City of Chelan, Washington, this ____ day of ____, 2026.

APPROVED:

By: _____
Erin McCardle, Mayor

AUTHENTICATED:

By: _____
Peri Gallucci, City Clerk

APPROVED AS TO FORM:

By: _____
Quentin Batjer, City Attorney

Exhibit A

City of Chelan Affordable Housing Fund Policy

1. Purpose and scope

Housing Fund 105 supports affordable housing within the City of Chelan. The fund receives money from multiple sources, which may include document-recording surcharge distributions, affordable-housing sales and use tax proceeds, grants, donations, Council appropriations, general facilities charge allocations, and developer contributions. Deposit into Fund 105 does not alter a restriction attached to a source.

This Policy establishes a single process for considering proposals involving real property and proposals for housing programs, services, or assistance. It does not expand the lawful uses of any funding source or create an entitlement to an award.

2. Definitions

“*AMI*” means area median income for the geographic area and methodology specified by the applicable funding source, adjusted for household size. When a source does not specify a measure, AMI means the current HUD median family income for the Wenatchee metropolitan statistical area, adjusted for household size.

“*Applicant*” means a nonprofit organization, public agency, housing authority, or for-profit organization submitting an application.

“*Capital Award*” means an award that finances acquisition, construction, conversion, rehabilitation, preservation, infrastructure, general facilities charges, or another cost associated with identified real property.

“*Program Services Award*” means an award for defined housing assistance, rental assistance, education, counseling, stabilization, case management, operations, maintenance, or other services that does not finance an interest in identified real property.

“*Restricted Money*” means money subject to a statutory, ordinance, grant, donor, contractual, interlocal, development-agreement, or other legal restriction.

“*Unrestricted Money*” means money for which staff has documented that no source-specific restriction applies, but which remains subject to constitutional and general municipal-law requirements.

3. General eligibility

An eligible proposal must advance an identified affordable-housing objective in the City’s Comprehensive Plan and provide, preserve, support, or facilitate housing or housing-related assistance for income-eligible households. An applicant may propose to serve households at or below 120% of AMI. That outer application threshold does not determine whether a particular source or award structure may lawfully fund the proposal.

The City may approve, reject, reduce, condition, defer, or request modification of any proposal. The City may give priority to lower-income households, proposals that leverage other resources, urgent local needs, and proposals providing the greatest documented public benefit per City dollar.

4. Funding-source determination

Before scoring or recommending an award, Finance staff shall complete a Funding-Source Compliance Worksheet identifying each proposed source and its authorized uses, income limits, administrative-cost limits, geographic limits, award-recipient restrictions, duration, reporting duties, and available balance. The City Attorney shall review any unresolved authority or restriction issue.

Restricted Money may be used only for purposes and beneficiaries authorized by that source. If more than one source funds an award, the City shall separately account for the expenditures attributable to each source unless every expenditure satisfies every applicable restriction.

Without limiting the required source review:

- Money received under CMC chapter 3.86 and RCW 82.14.540 may be used only for the purposes authorized by RCW 82.14.540(6), subject to its income limits and administrative-cost limitation.
- Document-recording surcharge money may be used only as permitted by RCW 36.22.250, other applicable law, and the governing Chelan County interlocal agreement.
- Grant proceeds, donations, and developer contributions remain subject to all accepted conditions and agreement terms.
- General municipal funds used as a loan or grant for development or preservation of housing under RCW 35.21.685 may serve only households within that statute's income limit.

5. Award tracks

5.2 *Capital Awards*

Capital Awards may offset specific, documented project costs, including acquisition, construction, conversion, rehabilitation, preservation, accessibility improvements, eligible infrastructure, construction financing costs, and general facilities charges, if lawful for the selected source. Unless the City approves a documented closing disbursement or another protected method, payment shall be by reimbursement after the recipient incurs the approved cost. Payment may be conditioned on completion, issuance of required approvals, availability of other committed financing, and commencement of service to eligible households.

A loan or grant of general municipal funds for development or preservation of housing under RCW 35.21.685 shall serve households at or below 80% of the applicable metropolitan-area median income. A Capital Award serving households above that limit may be considered only with Unrestricted Money and only if, before approval, the City Attorney determines that another lawful structure and authority applies and the Council finds that the City is purchasing reasonably commensurate, enforceable value. The application threshold of 120% AMI is not independent authority for such an award.

5.2 *Program Services Awards*

A Program Services Award purchases defined services or assistance that advance the City's affordable-housing objectives. Examples may include rental assistance, eviction prevention, housing navigation, homeownership education, counseling, income-qualified housing stabilization, and eligible housing operations or maintenance. An example is not an eligible use of every funding source.

Each Program Services Award shall be governed by a written agreement executed before disbursement. The agreement shall state the services, eligible population, source-specific restrictions, measurable deliverables, approved budget, payment method, documentation, reporting, records retention, monitoring, and recapture remedies. Payment shall be by reimbursement or documented milestone unless the City approves another method supported by adequate controls.

6. Recorded security for Capital Awards

Before disbursement of a Capital Award, the recipient and all persons whose consent is needed to bind the property shall execute and record a City-approved affordability covenant, deed of trust, loan instrument, or other recorded security. The instrument must run with the land or otherwise bind the owner and successors for the stated term; identify the assisted units or property; state the occupancy, income, rent, sale-price, and use restrictions; require compliance reporting; permit City monitoring; and provide enforceable remedies, including repayment or recapture.

The award resolution or motion and recorded instrument shall state a definite commencement date and term. The term shall be at least the longest period required by a funding source or other applicable law. If no source establishes a term, the term shall not be less than five years. A term shorter than fifteen years requires express Council findings addressing the amount and type of assistance, number of assisted units, useful life of the funded improvement, other recorded restrictions, anticipated duration of the public benefit, and why the shorter term provides reasonably commensurate value. Council may require a longer term.

The recorded instrument shall include a repayment schedule appropriate to the award. Unless Council approves a different schedule supported by findings, the repayable amount shall decline in equal annual increments over the required term. Misrepresentation, unauthorized transfer, failure to record or maintain required priority, or use for an ineligible purpose may make the full unpaid amount immediately due.

7. Program agreement controls

A Program Services Award does not require a deed restriction unless the award is later used to finance identified real property. The agreement must provide the City enforceable consideration and, at minimum:

- define the services or assistance to be delivered and the public benefit purchased by the City;
- identify the source, eligible uses, eligible population, and applicable income measure and limit;

- state the number of households or other measurable outputs and the performance period;
- require a lawful and documented method for verifying eligibility while protecting confidential personal information;
- separate direct assistance, direct service-delivery costs, and general administrative overhead;
- require invoices, expenditure support, periodic performance reports, and a final report;
- retain City monitoring and audit access and require records retention for at least six years after final payment, or longer if the source requires; and
- permit the City to suspend payment and recapture amounts that are ineligible, undocumented, unearned, misused, or attributable to an uncured failure to perform.

8. Administrative and operational costs

Unless a funding source imposes a lower limit, general administrative overhead should not exceed 25% of the requested award. Council may approve a higher percentage when the applicant separately identifies the costs and Council makes written findings that the costs are necessary, reasonable, allocable to the funded work, and consistent with the source. Personnel costs for employees who directly deliver funded services are direct program costs to the extent supported by time or other allocation records.

9. Application and review

The annual application period is January 1 through March 1, unless Council or the City Administrator establishes an additional application period. Applicants shall use the current application and provide all requested authority, budget, project, conflict, and eligibility-verification information. Staff may reject an incomplete application or request clarification.

After the funding-source determination, staff shall evaluate proposals for legal eligibility, Comprehensive Plan consistency, need, feasibility, organizational capacity, leverage, public benefit, cost reasonableness, readiness, monitoring capacity, and risk. Staff shall recommend the source, award track, amount, term, payment method, security, performance measures, and conditions. Final approval rests with Council unless Council has lawfully delegated the decision.

10. Conflicts of interest

Each applicant shall disclose any financial, employment, management, officer, director, board, family, or other material relationship with a City officer or employee. A City officer or employee with a relationship to an applicant shall disclose it to the City Clerk and City Attorney before participating in review or consideration.

The City Attorney shall determine whether the relationship presents a prohibited beneficial interest, a remote interest under RCW 42.23.040, another statutory exception, or an appearance issue. A connected Councilmember shall not review, score, deliberate, recommend, vote on, or attempt to influence the application. Any disclosure, legal disposition, and required nonparticipation shall occur before contract formation and be noted in the official minutes. Nothing

in this Policy expands an exception under chapter 42.23 RCW; service as a nonprofit director is not automatically deemed a statutory remote interest.

11.Reporting, records, and audit

Every recipient shall provide the reports required by the award documents and funding source. The City may inspect the funded work, review eligibility and expenditure support, and audit compliance. Recipients shall maintain records for at least six years after final payment or the end of the affordability term, whichever is later, unless a longer period applies. Personally identifying eligibility records shall be collected, transmitted, stored, and disclosed only as permitted by law and the agreement.

12.Nondiscrimination and legal compliance

Every recipient shall comply with applicable fair housing, civil rights, nondiscrimination, accessibility, public works, prevailing wage, licensing, permitting, environmental, records, and other laws. The City will determine which requirements apply to a particular award. An award does not represent that a project is exempt from otherwise applicable law.

13.Remedies

The City may withhold or suspend payment, require corrective action, terminate an award, recover overpayments, recapture ineligible or unearned amounts, enforce recorded restrictions, and pursue any contractual or legal remedy. The award documents shall state notice and cure rights appropriate to the risk, except that fraud, intentional misrepresentation, unlawful expenditure, or unauthorized transfer may permit immediate relief.

14.Administration and amendments

The City Administrator may approve administrative forms and nonsubstantive revisions consistent with this Policy. Council approval is required to change applicant eligibility, permitted uses, income limits, Council approval authority, minimum security, or conflict procedures. This Policy remains effective until amended or repealed.

Exhibit B

Application for Affordable Housing Funds

IMPORTANT

Applicants may propose to serve households at or below 120% AMI, but the City will determine which funding source and legal award structure, if any, may be used. A source may require a lower income limit or narrower use.

Application period and submission

Annual applications are accepted January 1 through March 1 unless the City announces an additional period. Submit a signed application and attachments to Chelan City Hall, P.O. Box 1669, 135 E. Johnson Avenue, Chelan, WA 98816. The City may request clarification, reject an incomplete application, or approve, deny, reduce, defer, or condition a request.

Applicant information

1. Legal name of applicant

2. Entity type and state of formation

3. Mailing address and website

4. Primary contact, title, phone, and email

5. Authorized signatory and title

6. List governing board members, officers, partners, members, or owners, as applicable

7. Describe the applicant's mission, history, and experience delivering the proposed work

Award requested

Select one primary track:

- ☐ Capital Award: acquisition, construction, conversion, rehabilitation, preservation, infrastructure, or costs tied to identified real property
- ☐ Program Services Award: housing assistance, rental assistance, education, counseling, stabilization, operations, maintenance, or other defined services not financing identified real property
- ☐ Combined proposal: complete both Capital and Program sections and provide separate budgets

8. Amount requested from the City

9. Brief project or program name and summary

10. Requested performance period and proposed payment schedule

Section A
Public benefit and beneficiaries (all applicants)

A1. Describe the housing need and the specific public benefit the City would receive

A2. Identify the geographic area served and explain the connection to the City of Chelan

A3. Check every household-income tier the proposal will serve:

☐ ≤30% AMI ☐ ≤50% AMI ☐ ≤60% AMI ☐ ≤80% AMI ☐ ≤100% AMI ☐ ≤120% AMI

A4. State the number of households or units expected in each checked tier

A5. Describe how household eligibility will be verified, documented, protected, and reported

A6. Identify measurable outputs and outcomes, including the number served, units produced or preserved, assistance delivered, and completion dates

A7. Explain consistency with the City’s Comprehensive Plan, including the Housing Element

A8. Explain what will occur if the City provides less than the amount requested or no award

**Section B
Budget and funding (all applicants)**

Cost category	Total cost	City request	% of City request
Direct assistance to households	\$	\$	
Direct service-delivery personnel	\$	\$	
Property acquisition/construction/rehabilitation	\$	\$	
General facilities charges/infrastructure	\$	\$	
Other direct project or program costs	\$	\$	
General administrative overhead	\$	\$	%
Total	\$	\$	100%

B1. Provide a detailed budget narrative. Explain allocation methods for shared personnel or overhead

B2. List all other funding sources, amounts, status, restrictions, and expected commitment dates

B3. Describe procurement or cost-comparison methods that will be used

Section C

Capital Award details

Complete this section for any proposal involving identified real property, including acquisition, construction, rehabilitation, preservation, infrastructure, or general facilities charges.

C1. Property address, parcel number, and legal description

C2. Current owner and applicant's legal interest in the property. Attach the vesting deed, purchase agreement, lease, or site-control document

C3. Total units at completion, assisted units, tenure (rental or ownership), bedrooms, rents or sale prices, and income limits by unit

C4. Detailed development schedule, permits, financing commitments, and conditions remaining

C5. Specific costs to be paid or reimbursed with City funds

C6. Assessed value, any appraisal, existing debt, proposed debt, and lien priority

**C7. Other affordability covenants or regulatory agreements, including term and priority.
Attach copies**

C8. Proposed affordability term and explanation of how it reasonably preserves the City's investment

C9. Describe the applicant's capacity to monitor tenant, purchaser, rent, resale, and other compliance throughout the term

Capital Award acknowledgment

A Capital Award requires City-approved recorded security before disbursement. If no source requires a longer period, the minimum term is five years. A term shorter than fifteen years requires express Council findings. The final instrument and remedies are determined by the City at award.

**Section D
Program Services Award details**

Complete this section for housing programs, services, or assistance not financing identified real property.

D1. Describe each service or form of assistance and the amount or frequency to be delivered

D2. State the number of households to be served and the proposed performance milestones

D3. Describe intake, eligibility verification, duplication-of-benefits controls, payment controls, and supervisory review

D4. Explain how expenditures and staff time will be documented

D5. Describe reporting systems and the applicant's ability to retain records for at least six years

D6. Identify any direct payment to or on behalf of an individual and explain how payment will be verified and safeguarded

Program Services Award acknowledgment

A Program Services Award is governed by a written agreement with defined deliverables, reimbursement or milestone payments, eligibility and expenditure documentation, reporting,

monitoring, and recapture. No deed restriction is required unless City funds are used for identified real property.

Section E

Relationships and conflicts

E1. Does any City elected official, officer, employee, or immediate family member have a financial, employment, management, officer, director, board, ownership, or other material relationship with the applicant or proposed subcontractor? ☐ No ☐ Yes

E2. If yes, identify each person, relationship, compensation if any, and dates of service

Disclosure does not determine eligibility. The City will review the relationship under chapter 42.23 RCW and City policy before the application is evaluated or a contract is formed.

Required attachments

- ☐ Entity formation and good-standing information;
- ☐ Board or governing-body authorization to apply and sign;
- ☐ Detailed budget and committed/pending funding documentation;
- ☐ Most recent financial statements and current operating budget;
- ☐ Policies or procedures for income verification, confidentiality, payments, and internal controls, if applicable;
- ☐ For Capital Awards: site control, legal description, plans, schedule, sources and uses, pro forma, existing covenants, title information, and any appraisal; and
- ☐ For Program Services Awards: implementation plan, milestones, sample eligibility documentation, and reporting format.

Certification

The undersigned certifies that: (1) the information submitted is true and complete to the best of the signer's knowledge; (2) the signer is authorized to submit the application; (3) the applicant has reviewed the Affordable Housing Fund Policy; (4) the applicant understands that the City may apply a lower income limit or narrower use based on the selected funding source; (5) no award exists until Council or an authorized delegate approves it and all required documents are executed; and (6) the applicant will disclose any material change before award or payment.

_____ AUTHORIZED SIGNATURE	_____ PRINTED NAME AND TITLE	_____ DATE
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For a nonprofit or public entity, one authorized officer signs. For a partnership, limited liability company, or other private entity, attach evidence that the signer may bind the applicant. All owners and lienholders whose consent is needed to record required security must sign the final award documents, not necessarily this application.



Subject/Title: Short Term Rental Discussion (Community Development Director Ajax)
Department: Community Development
Staff Contact: John Ajax
Guiding Principles: Visionary & Strategic
Initiatives: Diversify Housing Options
Establish a Long-Range Economic Strategy
Reviewed By: City Administrator
Number of Looks: Look No. 1 of X

PREVIOUS ACTION TAKEN

None.

OVERVIEW

On June 2, 2026 City Councilmembers indicated directions for City Staff to look at what a cap would involve in the Downtown Mixed Use (DMU), Tourist Mixed Use (TMU), and Highway Service Commercial (C-HS) districts. Staff has pulled the licensing records and counted the active short-term rental licenses in those three districts. There are approximately 28 active licenses across DMU, TMU, and C-HS today. Staff is requesting Council feedback on what the number should be. As a starting point to the conversation, Staff is suggesting a cap of 50 licenses spread across these three (3) zoning districts.

- 28 licenses in place, 22 additional available — roughly 80 percent room for growth.
- A cap at or near 28 would hold the line at current levels instead.

Arguments for 50

- Establishes a firm outer limit where none exists today, giving residents and operators certainty about how far this can go.
- Leaves the downtown and commercial core room to absorb some continued visitor demand rather than freezing it at today's count.
- Growth is metered — licenses are issued once a year through a single application window, and Council can revisit the number.
- No immediate disruption to existing operators and no nonconforming-use problems to resolve.

- Because the cap isn't binding yet, it creates no near-term scarcity value in licenses and almost no administrative workload.

Arguments against 50

- It permits expansion rather than restraining it. "Cap" implies restraint, and residents may read 50 as authorizing nearly a doubling.
- It reduces nothing that is operating today.
- The non-transfer provision — licenses ending when a property sells — produces no net reduction until the count actually reaches the ceiling.

FINANCIAL IMPLICATIONS

None.

ATTACHMENTS

None

SUGGESTED MOTION

None.