



RESIDENTS COALITION of Chelan County

March 25, 2026

City of Chelan - City Council
135 E Johnson Avenue
Chelan, WA 98816

Re: Impact of Short-Term Rentals (STRs) on Housing Affordability and the Need for a Cap on STRs in the City of Chelan

Dear Honorable City Council Members:

This letter follows up on our letter on this same topic dated December 4, 2025, responds to input from City staff, and provides additional information recently gathered by Residents Coalition of Chelan County (RC₃). It is our understanding that the issue of putting caps on short-term rentals (STRs) will be discussed at a City Council workshop in the near future, so we are submitting this well in advance of those public discussions to provide plenty of time for the information contained herein to be reviewed and considered. We intend to share this information with the local community as well and invite their participation in this process.

In this letter we discuss the Chelan housing market, how STRs (and other seasonal housing) impact the housing market, and what can be done to improve overall housing affordability in Chelan. Specifically, we will cover the following topics:

- 1. The Chelan Housing Market: Supply and Demand** – The Chelan housing market has been significantly impacted by supply and demand forces that trace back to STRs and other seasonal housing. STRs constitute a significant portion of the current Chelan housing stock. *Discussion starts on page 3.*
- 2. Residential Housing Construction Costs** – Chelan suffers from unusually high residential housing construction costs that can be tied back to STRs and other seasonal housing. High construction costs negatively impact both new and existing housing prices. *Discussion starts on page 5.*

3. **STRs Increase Housing Prices** – The conversion of existing residential homes to STRs and rising home construction costs can be tied to the high demand for STRs in Chelan. This demand for houses that could otherwise be used for residential housing decreases the overall supply of residential housing. Unsurprisingly, comprehensive studies conclude, and house price data suggest, that the proliferation of STRs in a specific housing market increases housing prices and rents. *Discussion starts on page 9.*
4. **STRs versus Non-STR Seasonal Houses** – Chelan has had a large existing inventory of non-STR seasonal homes for decades, but they have increased over time. Studies don't specifically look at the impact of these homes on housing affordability, but they will have a negative impact. However, the economic driving force for STR ownership demand is dramatically different. *Discussion starts on page 12.*
5. **The Past 12 Years in the Chelan Housing Market** – The Chelan housing market has experienced outsized increases in house prices and residential construction costs compared to other housing markets over this period. The majority of new building permits issued during the past 12 years were for both STRs and other seasonal homes equally, particularly from 2014 to 2023. This has driven up residential construction demand, which in turn has driven up housing prices. Assertions that seasonal houses not used as STRs have had a higher impact on housing prices during this period than STRs are not supported by the facts. *Discussion starts on page 15.*
6. **What the Future of Chelan's Housing Market Looks Like Now** – The majority of new single-family housing projects being approved or discussed focus primarily on houses that can, and likely will, be used as STRs and other seasonal housing. If nothing is done, the Chelan housing market will remain exceptionally unaffordable, catering primarily to relatively well-off, transient visitors. The ability of people wanting to be full-time Chelan residents to afford to purchase a home and build wealth over time will continue to diminish. This will adversely affect the character of Chelan, making it a less desirable place to live for its residents. *Discussion starts on page 16.*
7. **Solutions** – As many other cities with high percentages of STRs have done already, Chelan could easily place a cap on the total number of STRs allowed. This would likely put downward pressure on housing prices immediately. Although more difficult to implement, there are ways to discourage other types of seasonal home ownership that have been implemented elsewhere. Creative solutions could provide funding for affordable housing that would be available to households that would otherwise not be able to afford market-rate housing. *Discussion starts on page 19.*

This letter is long because there is so much information supporting the fact that STRs adversely impact housing affordability that we want to share and because this is likely one of the most

consequential issues that the City will review in 2026 that affects the permanent future of Chelan. We will address each of the topics above in its own section.

1. The Chelan Housing Market: Supply and Demand

1.1. Nomenclature Used in This Letter

Two key terms used throughout this letter are defined as follows:

STR: A deeded dwelling unit used as a commercial short-term rental operating under an STR license obtained from the city of Chelan.

Non-STR Seasonal House: A deeded dwelling unit used seasonally that is not an STR. This type of house will typically be either a seasonal home used only by the owners, a seasonal home that is also rented out to family and friends without obtaining an STR license, or an illegally-operating STR renting more broadly.

Note that many documents will simply refer to “seasonal housing”, which includes what we are calling STRs and Non-STR Seasonal Houses combined.

References to “residential” homes refer to housing for long-term use as the inhabitant’s primary residence.

1.2. Supply and Demand Basics

Like all housing markets, Chelan residential housing prices are dictated by the supply of houses (available for sale or able to be constructed) and the demand for those houses.

There are three different markets for deeded housing in Chelan: the market for long-term residential homes, the market for STRs, and the market for Non-STR Seasonal Houses. Unfortunately, the three markets are completely intertwined in terms of pricing pressures, i.e., if prices in one of these markets go up, prices in the other two markets will respond in the same direction over time. This occurs because the “product” being sold in all three markets is the same – a residential dwelling unit.

As an example, the construction of new STRs can push up the price to build long-term residential houses if STRs are fetching a premium price (which they typically do). The supply of contractors to build new residential dwelling units is relatively fixed, whereas the demand for these contractors increases when many new STRs need to be built. The same applies to the construction of new Non-STR Seasonal Houses.

If Chelan were to, for example, cap STRs at current levels, this would clearly reduce demand for houses in general (potential STR buyers would be removed from the housing market) and would be expected to result in downward pressure on housing prices. Of particular interest for this discussion, an STR cap would also be expected to reduce demand for house construction, putting downward pressure on the cost of construction.

Since housing rental costs also follow housing prices over time, these same dynamics affect the rental housing market in Chelan.

1.3. STRs and Non-STR Seasonal Houses Affect Supply and Demand

Chelan currently lists over 410 STR licenses spread amongst the roughly 3,000 dwelling units in the city. This corresponds to an STR density of nearly 14 percent. City staff have downplayed this statistic by stating that many of these STRs are on the waterfront and would never be used for anything other than STRs. In other cases, it is said that many STRs don't count because they were specifically built to be STRs.

We would point out that the vast majority of existing STRs in Chelan could, in fact, be used for long-term residential use if they weren't otherwise allowed to be STRs. The Lookout development, with over 200 houses, could obviously be a residential development if, for example, STRs were suddenly disallowed. Yes, it would have amenities such as a swimming pool, park areas, and a marina. The same could be said for Crystal View Estates, where STRs are not allowed. No one is implying that these would be considered "affordable housing" in the sense of being affordable to low-income households, but it makes no sense to imply that the houses in the Lookout couldn't otherwise be used for residential housing by households in the mid- to upper-income brackets if they were no longer priced as STRs.

Arguments about this type of housing being too expensive for typical residential housing miss the point that if changes are made to bring down the cost of housing in general, these types of homes could potentially provide residential housing for higher-income families, retirees, etc. Regardless, the point of this letter is more about what kind of housing will be built in the future in Chelan and how the city can make this new housing more affordable for many different household financial situations, while also putting downward pressure on the prices of existing homes.

Similarly, condominium complexes such as Park Pointe, Paradise View, and Chelan Resort Suites could easily be used as long-term residences if it wasn't for the fact that current zoning and STR code allows these to be used as commercial STRs, driving up prices for the entire Chelan housing market. Note that units in these complexes sold for about \$270,000, \$200,000,

and \$250,000, respectively, a decade ago before STRs began having a significant impact on Chelan's housing market.

Given this, STRs have clearly reduced the supply of residential housing. Housing that could otherwise be used as long-term residences is instead being used as commercial STRs.

RC₃ extensively reviewed all existing housing in Chelan. We conclude that, in addition to the over 410 STRs in Chelan, there are over 1,000 Non-STR Seasonal Houses that are owned by people outside of Chelan (over one-third of the housing stock).

These Non-STR Seasonal Houses also reduced the supply of residential housing over time (in that these houses were not sold into, or built for, the residential housing market).

One important point to make is that if the number of STRs and Non-STR Seasonal Houses in Chelan were to remain static going forward, their impact on housing prices in the future would be minimal. If every new house built in the future went toward increasing the supply of residential houses in Chelan, this would help to decrease house prices relative to the current pattern of housing growth.

As will be discussed further below, it is the rate of addition of new STRs and Non-STR Seasonal Houses over the past 12 years that has driven prices for residential housing up so quickly in Chelan over this period, and it is future housing supply and demand that will drive housing prices in Chelan going forward.

2. Residential Housing Construction Costs

The vast majority of new STRs that have been built in Chelan over the past dozen years have been in the Lookout development. Over 200 new houses have been built in the Lookout since it started in 2014, averaging about 20 permits per year for houses in the Lookout from 2014 through 2023¹. Chelan issued an average of just over 50 building permits for single-family homes per year during this period, meaning that about 40 percent of all building permits issued for single-family homes between 2014 and 2023 were for houses in the Lookout.

Currently, just over 70 percent of the houses in the Lookout have STR operating permits. The majority of the remaining 30 percent are owned as Non-STR Seasonal Houses. It is difficult to determine exactly how this 30 percent of houses in the Lookout is being used, but few to none appear to be used for long-term residential occupancy. Unlike other residential areas in Chelan, the Lookout is zoned to allow STRs. Since the economics of STRs encourage any house allowed

¹ The majority of building permits for houses in the Lookout were issued during this period.

to be an STR to be used as one, it is unsurprising that the majority of houses in the Lookout are used as STRs, not as long-term residential houses or even Non-STR Seasonal Houses.

As a result of the high number of new houses constructed in the Lookout for non-residential use from 2014 to 2023, which led to a much higher than typical level of house construction in general, much pressure was put on the local house construction industry to fill the demand. In fact, in some years during this period houses in the Lookout accounted for nearly 50 percent of all residential building permits issued causing the total number of building permits issued to be over 100 percent higher than the long-term average for Chelan before and after the buildout of the Lookout development.

The impact of this flurry of construction activity unsurprisingly drove up the cost of construction in Chelan due to supply/demand pressures.

In the real estate world, “highest and best use” defines the most profitable, legally permissible, physically possible, and financially feasible use of a property, maximizing its value. In this context, STRs represent the highest and best use of a residential house. Because it is the most profitable use, it encourages higher construction costs (profits to the builder and contractors), which are easily defrayed by the owner over the life of the STR. Those wishing to build housing for long-term residential use simply have no way to defray this additional cost.

Figure 1 (attached) demonstrates the sales prices of individual houses in the Lookout development over time compared to the sales prices for similar houses in areas with zoning that does not allow for STRs. These comparable homes outside of the Lookout have similar views; are of similar age, size, and finish quality; have larger lots; and have similar or better amenities (including garages, which most houses in the Lookout do not have). All else being equal, the houses outside of the Lookout should have sold for a similar price per square foot, if not higher.

However, as shown in the figure, houses in the Lookout sold for a premium of as much as 65% during this period. The obvious reason for this is the fact that they could be used as STRs, generating over \$100,000 in annual revenue in some cases, while still being available for occasional use by the owner.

There is plenty of evidence that this has driven up home construction costs in Chelan over this same period of time above and beyond what other areas in central and eastern Washington have experienced. Higher construction costs will eventually increase the price of all homes in the market.

In the 2010 to 2014 period of time, home construction costs in Chelan and throughout central and eastern Washington were very reasonable and comparable.² An experienced realtor in Chelan in 2010 indicated that new homes could be built in the Lake Chelan Valley for \$100 per square foot. Lake Chelan Construction Company advertised on their website in 2012 that they could build a low-end home for \$85 per square foot, a mid-range home for \$110 per square foot, and a high-end home for \$135 per square foot. One of the authors of this letter built a mid-range home in the Lake Chelan Valley in 2014 for under \$150 per square foot as construction costs were just starting to increase and the availability of contractors was beginning to get tight.

By 2016, mid-range homes were costing \$180 per square foot to build, and by 2021, people were paying \$300 or more per square foot to build mid-range homes. Local builders are currently quoting \$375 to \$400 per square foot for mid-range homes.

2014 coincided with the beginning of the flurry of new construction in the Lookout. The construction of new homes in the Lookout peaked in the 2021-2023 time period and has since gone to just about zero as all current phases of the development have now been built-out. Possibly related, Figure 1 shows that sales prices for homes in the Lookout peaked around 2023 and have since been declining.

It will be interesting to see if construction costs start declining in Chelan, as permits issued for new residential construction have decreased back to more typical rates since the completion of the Lookout. However, as will be discussed more later, the first phase of a new development allowing up to 27 STRs has just begun construction, and a second phase has been submitted for approval for 47 more lots allowing STRs. The developer has stated that their goal is to eventually build 359 houses that can be STRs. The cycle of upward pressure on construction costs may begin anew if Chelan chooses not to address the STR issue.

What the evidence does suggest is that residential construction costs in Chelan (and the surrounding area) have increased since 2014 to higher levels than in other municipalities in central and eastern Washington that have not experienced high growth of STRs and Non-STR Seasonal Houses. When an artificial intelligence tool was asked to estimate current residential construction costs, based on all available data, for Chelan, Wenatchee, and Spokane, it came up with the following table:

² In the aftermath of the Great Recession of 2008/2009.

City	Cost to Build a Basic Home (\$/sq ft)	Cost to Build a High-End Home (\$/sq ft)
Chelan	\$220-\$350	\$350 - \$500+
Wenatchee	\$180-\$300	\$300-\$400
Spokane	\$160-\$240	\$220-\$350

These costs do not include the price of land. These cost ranges are likely somewhat low based on anecdotal information compiled by RC₃ in talking to people who have recently built, or are planning to build, a new home in Chelan, and the cost of new homes for sale in Wenatchee and Spokane (which are much less than could be constructed in Chelan). However, the relative cost comparison is likely valid.

It is well-recognized that an increase in the cost to build new homes also increases the sales prices of existing homes. The “replacement cost principle” establishes that the cost to build a comparable new home sets the upper benchmark for value in a neighborhood. For example, the National Association of Home Builders notes (related to high construction costs; underline for emphasis):

Higher construction costs get passed on to home buyers in the form of higher prices, making it increasingly difficult for people to afford new homes. This can exacerbate existing housing affordability issues and slow down the overall housing market.

This effect can be seen in Chelan, even though STRs are only allowed in certain zones within the city.³ Existing homes that are in good condition are being sold at costs per square foot comparable to the cost to construct a new home, even if those homes have existed for a decade or more.

Unsurprisingly, as will be shown later in this letter, the cost of the median house in Chelan has increased more (on both a dollar and a percentage basis) than in other housing markets in central and eastern Washington over the 2016 to 2025 time period. These data can be shown to be correlated with the proliferation of new construction of houses within the Lookout and Non-STR Seasonal Houses elsewhere in Chelan.

If the construction of new STRs (and potentially Non-STR Seasonal Houses) is not constrained in some way in Chelan, this additional cost for all residential housing will continue to persist.

³ Note that many municipalities restrict STRs to only certain areas. This is not a unique feature of the Chelan STR situation.

3. STRs Increase Housing Prices

In addition to looking at the pressures caused by the construction of new STRs on housing prices, there are also a number of studies that have been conducted across housing markets that demonstrate that the proliferation of STRs will result in increases in housing prices greater than would otherwise occur.

One study has shown that once STRs exceed a density of about four percent, they start to have a negative impact on housing prices.⁴ One of the study's recommendations for local governments to address this issue is to:

Restrict (cap/limit) STRs or incentivize moderate use if STRs account for more than 4% of total housing stock.

Another often-cited study⁵ indicates that at the median growth rate in STRs across the country, the presence of STRs accounts for one-seventh (14.3%) of the increase in house prices (and one-fifth of the increase in housing rental rates). Clearly, Chelan has had a growth rate in STRs well above the median rate across the U.S., implying that more than one-seventh of the growth in house prices in Chelan over the past decade should be attributed to STRs.

This study was based on the growth in the number of AirBNB listings in individual markets. Chelan funded its own study looking at the local impact of STRs that was published in draft form in 2018.⁶ The study noted the incredible increase in the number of unique AirBNB listings for Chelan properties in the peak summer month, going from 19 in 2015 to 236 in 2018, accounting for less than one percent of the total dwelling units in Chelan in 2015 to nine percent in 2018 (note that not all STRs were advertising on AirBNB during the study period). This growth was well beyond the typical growth in AirBNB listings across the country during this period.

The median price of homes sold in Chelan has increased from about \$270,000 in Q4 of 2015 to nearly \$630,000 in Q3 2025, an increase of about \$360,000. Even if only one-seventh of this growth in price was attributed to the growth in STRs, that would represent about \$51,000. Given that the growth of STRs in Chelan has been much greater than the median rate across the U.S., it would not be unreasonable to assume that 20 percent (\$72,000) or 25 percent (\$90,000) of the increase in the median house price could be attributed to the growth in STRs in the city based on this study alone.

⁴ Sadie Dinatale, *Assessing and Responding to Short-Term Rentals in Oregon*, University of Oregon, 2017.

⁵ Kyle Barron, Edward Kung, and Davide Proserpio; *The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb*; Oct 2020.

⁶ *Chelan Short-term Rentals Situation Assessment (draft)*, BERK Consulting, November 2018.

Chelan County promulgated a new STR code in 2021 that caps STR densities to no more than six percent of the housing stock. Part of the justification for this cap is provided in the code itself, which states (underline added for emphasis):

Short-term rental use is a commercial use. Where excess rental units exist in residential communities, it has been shown to be detrimental to the affordable residential housing inventory and adversely affect the residential character of those neighborhoods. [Chelan County code 11.88.290(1)(A)]

After over two years of studying the issue, Chelan County concluded that STRs do adversely impact housing costs and that it was worthwhile to place a cap on future growth of STRs to protect housing affordability for residents.

So, to summarize:

- 1) STRs comprise nearly 14 percent of the housing stock in Chelan, regardless of how the city might try to parse it. Even at half this density, it would be considered high.
- 2) One study shows that STR densities greater than about four percent start to pressure housing prices upward. Chelan County created its six percent cap on STRs with this study in mind.
- 3) Another study shows that growth in AirBNB listings for STRs at the national median rate (which Chelan exceeds by far) can account for one-seventh (14.3%) of the total increase in house prices (and one-fifth of the increase in home rents). Considering that STRs in Chelan have grown at much more than the national median rate, it is reasonable to expect that STRs are responsible for 20 or 25 percent of the increase in local house prices over the past decade. In fact, consistent with this, the median house price in Chelan increased about 47 percent more than the median house price in Wenatchee (a city with relatively few STRs) over the last decade.⁷

3.1. The Chelan County Tourism Impact Study

Chelan County hired BERK Consulting to complete a study looking at the impact of tourism on the county. In February of this year, BERK published a report titled *Chelan County Tourism Impact Study*. In the *Housing Impact* chapter of the study, after citing the median house price data and other literature studies that RC₃ has referenced in this letter, BERK concluded that

⁷ When comparing the percentage increase in the median house price in Chelan (134%) vs. the percentage increase in the median house price in Wenatchee (91%) between Q4 2015 and Q3 2025. Data taken from the Washington Center for Real Estate Research (<https://wcrer.be.uw.edu/>).

STRs do not have a “significant” impact on residential housing. While this might be an appropriate statement for areas with low densities of STRs, their conclusion was exactly the opposite of what the data in their own report showed for Chelan in particular.

RC₃ immediately submitted a letter to BERK⁸ pointing out the deficiencies in how they arrived at their conclusion and why they should have concluded the opposite for certain areas; i.e., that STRs have been shown to have a significant impact on housing prices in areas where they proliferate.

Ms. Dawn Couch with BERK reviewed RC₃'s letter and made some key changes to the report text, better acknowledging the impact of STRs on housing prices in areas where they are prevalent. Specifically, Ms. Couch noted the following changes that were made to the report in response to RC₃'s letter (underline added for emphasis):

We removed the sentence: “Impacts may be more pronounced at the block level, particularly for homes with unique amenities such as views or water access that are attractive to both visitors and residents.” And replaced it with “Impacts on housing prices are found to be greater in areas with low levels of owner-occupied housing or where short-term rentals make up a substantial portion of the housing supply.” (pg. 60).

We updated the recommendation on short-term rentals (pg. 67) from “While short-term rentals have a small impact on county-wide housing prices, they can reduce the housing available to long-term renters” to read “Short-term rentals can impact local housing prices and reduce the housing available to long-term renters.”

While these changes do not fully acknowledge how STRs have negatively impacted housing prices in areas such as Chelan (such an assessment is outside of BERK's scope of work), they at least no longer discount the likelihood that this is the case.

3.2. STR Cap Impact Example – Palm Springs, California

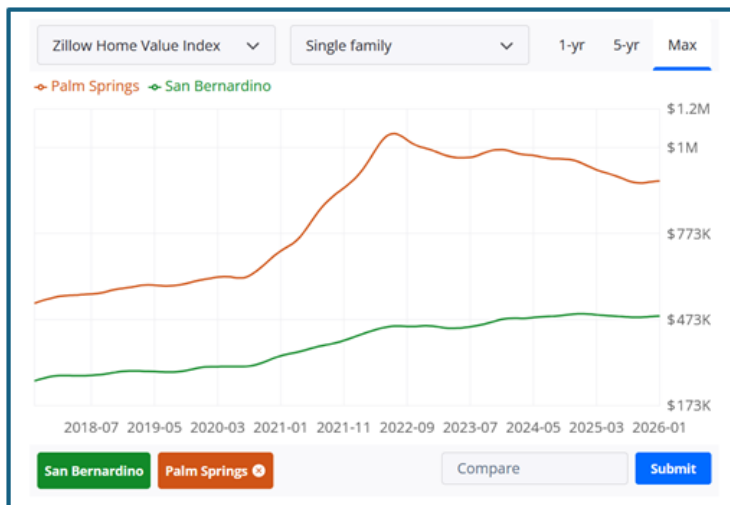
As described above, it is well-known that the proliferation of STRs can increase housing prices. On the flip side, there are examples of how caps that reduce the number of STRs can actually bring down housing prices.

Palm Springs, California is a well-known tourist destination, particularly in the winter months. Short-term rentals were sparse two decades ago, but with the proliferation of online advertising services such as AirBNB and VRBO, short-term rental ownership exploded. By 2021, STRs

⁸ https://coalitionofchelancounty.org/wp-content/uploads/2026/03/RC3-Letter-to-BERK-2_18_26.pdf.

accounted for roughly 30 percent of the housing stock. The demand for STRs drove up values for single-family homes over 80 percent between late 2020 and mid-2022.

The city of Palm Springs recognized the problem and passed a 20 percent STR cap ordinance in November of 2022. Values for single-family homes started dropping right about the time that the passage of the ordinance would have been imminent, and by late 2025 values had dropped 15 percent from the mid-2022 peak. Surrounding areas with a minimal percentage of STRs, such as San Bernardino, have seen a more steady pattern of increasing values for single-family homes, with no declines between late 2022 and late 2025 as were seen in Palm Springs.



With the enactment of the STR cap, single-family home values in Palm Springs have now increased a similar, more reasonable, percentage (roughly 50 percent) as in San Bernardino over the period from late 2020 to the end of 2025.⁹ The STR cap in Palm Springs has worked as expected.

In this case, the STR cap was set lower than the existing percentage of STRs. This somewhat drastic

approach was needed because STR growth had gotten out of hand before the city moved to cap STRs. Hopefully, Chelan will act more quickly in order to grandfather in existing STRs and not have to actually reduce their numbers.

4. STRs versus Non-STR Seasonal Houses

4.1. Relative Quantities

As mentioned above, in addition to over 410 STRs, there are over 1,000 Non-STR Seasonal Houses within Chelan’s housing inventory of roughly 3,000 deeded dwelling units.¹⁰

Although the inventory of Non-STR Seasonal Houses in Chelan is over twice that of STRs, it has built up over a much longer period of time. Data compiled by RC₃ show that over the past 12

⁹ All house price data for Palm Springs and San Bernardino for this analysis taken from Zillow.com.

¹⁰ Non-STR Seasonal Homes were identified as deeded dwelling units that did not have an STR license and had owners with a mailing address outside of Chelan.

years, new construction STRs and Non-STR Seasonal Houses in Chelan have been added to the housing inventory at about the same rate.

4.2. Relative Impacts on Housing Prices

After the Great Recession in 2008/2009, the Chelan housing market eventually stabilized at relatively low prices consistent with other markets in central and eastern Washington. It has only been over the past 12 years that house prices have increased rapidly and over this period of time, new construction STRs and Non-STR Seasonal Houses have grown comparably, implying that they have impacted construction costs, and therefore house prices, similarly.¹¹

Of course, over this same period of time some existing residential houses have been converted to STRs and Non-STR Seasonal Houses, and some Non-STR Seasonal Houses (and maybe a few STRs) have been purchased as residential houses. It is difficult to assess what impact this would have on house prices overall because it is difficult to determine the quantities involved, but it would have little effect on construction costs, which ultimately set the upper bound on housing prices.

As asserted in this letter, RC₃ believes that the rapid increase in housing prices in Chelan over the past 12 years has been the result of the rapid increase in construction costs, which can be tied back to the atypically-high rates of construction (which were equally affected by STRs and Non-STR Seasonal Houses).

Therefore, there is no basis to state that Non-STR Seasonal Houses have had a more significant impact on housing prices over the past 12 years than STRs, which some people with the city of Chelan have implied recently.

At the January 13, 2026, city council meeting, mayor Erin McCardle mentioned that both a study conducted by Washington State University¹² and the Chelan County Tourism Impact Assessment¹³ concluded that unoccupied second homes (Non-STR Seasonal Houses in the nomenclature of this letter) had a bigger impact on housing prices than STRs. This is simply not factual based on either of these studies. The WSU study mentions second homes only in the context of describing homes that are not long-term residential homes, not distinguishing in any

¹¹ Between 2014 and 2023, RC₃'s analysis estimates that about 29 percent of all residential building permits issued in Chelan have been for Non-STR Seasonal Houses and 28 percent were for STRs.

¹² *Housing Market Conditions in Tourism-Dependent Municipalities, Report to the Washington State Legislature Engrossed Substitute Senate Bill 5950, Section. 603.(48)*; Washington State University Metropolitan Center for Applied Research and Extension; December 20, 2024.

¹³ Chelan County Tourism Impact Assessment; BERK Consulting; February 2026.

way the impacts of Non-STR Seasonal Houses from STRs. In no manner does it state that Non-STR Seasonal Houses have a larger impact on housing prices than STRs.

The WSU study does, however, state that (underline added for emphasis):

We identified two policy areas that impact housing affordability in rural tourism-dependent areas of Washington: (1) short-term rental (STR) regulations; and (2) incentives, programs, and plans designed to encourage affordable and workforce housing development.

Previous research demonstrates that when STRs make up a substantial proportion of the potential housing supply, communities can face rising costs across all housing types.

RC₃ agrees with these statements.

The Chelan County Tourism Impact Assessment similarly only refers to second homes as describing both unoccupied second homes and STRs combined. Again, in no manner does it state that Non-STR Seasonal Houses have a larger impact on housing prices than STRs. Further, this assessment contains numerous false conclusions concerning the data it presents. This is discussed in Section 3.1 above. As it turns out, the information presented in the assessment actually supports the notion that STRs increase house prices in areas where STRs are prevalent.

4.3. Relative Economics

As mentioned earlier, STRs are a commercial housing use that provides income for owners. This incentivizes the purchase of houses for use as STRs. The owner can generate income based on short-term rentals, while also reserving some time for personal use of the house as a vacation home. The income offsets the costs of ownership, in some cases covering all associated costs.

No such economic incentive applies to Non-STR Seasonal Houses unless the owner is renting out the unit to family and friends in violation of Chelan's municipal code. As such, many more households can afford to purchase an STR than can afford to purchase a Non-STR Seasonal House.

This economic incentive for STR ownership puts upward pressure on prices since the owner can offset the higher price with the income provided by the STR. This is at the root of the fact that studies find that the proliferation of STRs in housing markets result in higher prices for all houses in the market.

5. The Past 12 Years in the Chelan Housing Market

As mentioned previously, the Chelan housing market has experienced an extreme increase in prices over the past 12 years. RC₃ contends that a portion of this increase, which is fairly unique to Chelan (and the surrounding area), comes from upward pressure on construction costs due to the demand to build new STRs and Non-STR Seasonal Houses.

In the period prior to the 2008/2009 Great Recession (e.g., 2004-2007) and after the market stabilized afterward (2013/2014), Chelan processed roughly 32 residential building permits per year on average.¹⁴ Beginning in 2015, this number began to increase (43 permits issued) and continued to ramp up from there, peaking in 2020 (97 permits issued). Annual permits issued stayed above the historical trend of roughly 32 permits per year until about 2023.

This period of significantly elevated residential building permits issued coincides with the buildout of the Lookout development. From 2014 through 2023, 41 percent of all residential building permits issued were for houses in the Lookout development. As noted earlier, over 70 percent of all houses in the Lookout have STR licenses and an unknown additional number likely are rented out short-term to family and friends without obtaining an STR license.

The following table estimates the increases in median house prices for a number of different markets with data compiled by the Washington Center for Real Estate Research from Q4 of 2015 through Q3 of 2025.¹⁵

City	Start	End	% Increase	\$ Increase
In Chelan County				
Chelan	\$269,037	\$630,500	134%	\$361,463
Wenatchee	\$246,375	\$470,174	91%	\$223,799
Central/Eastern WA, Outside Chelan County				
East Wenatchee	\$279,332	\$498,731	79%	\$219,399
Spokane	\$162,413	\$356,250	119%	\$193,838
Walla Walla	\$190,538	\$417,625	119%	\$227,088
Yakima	\$175,388	\$325,225	85%	\$149,838

¹⁴ Washington Center for Real Estate Research. This was the longest period of time available through this source.

¹⁵ Computed by comparing the average of the first four calendar quarters in the data set with the average of the last four calendar quarters in the data set.

Unsurprisingly, median house prices in all of these markets increased due to general inflationary pressures, which were unusually high during part of this period. Housing markets that started the period with relatively low prices (Spokane, Walla Walla, and Yakima) saw median house prices increase about \$150,000 to \$227,000. Compared to markets with higher starting prices, these dollar increases represent a relatively high percentage increase (85% to 119%).

Housing markets that started the period with relatively high prices (Chelan, Wenatchee, and East Wenatchee) saw median houses prices increase about \$219,000 to \$361,000, or 79 percent to 134 percent. Chelan was the clear outlier in this group (and across all of these markets) in both dollar (\$361,000) and percentage (134%) increase.

RC₃ contends that the primary driver for the exceptional increase in median house prices in Chelan is due to the proliferation of new STRs, as well as new Non-STR Seasonal Houses, during this period.¹⁶ This is something not experienced by the other housing markets shown.¹⁷

Figure 2 shows the change in median house prices in Chelan vs. the number of new residential building permits issued each year (blue triangles). The arrows superimposed on this graph represent the pricing pressure on construction costs expected to result from the amount that permits issued are above (or below) the longer term typical rate of about 32 permits per year. Note that with the completion of most of the buildout of the Lookout, the annual number of residential building permits issued has returned to the typical level near 32.

In Figure 2 there is a clear correlation between the size and direction of the pricing pressure arrows and the resulting median house prices. Although correlation is not always causation, a reasonable conclusion based on these data is that abnormally high levels of construction during part of this period led to the abnormally high increases in house prices. And since the majority of this construction was for houses not used for long-term residential purposes, it did little to help increase the supply of homes for those wishing to be residents.

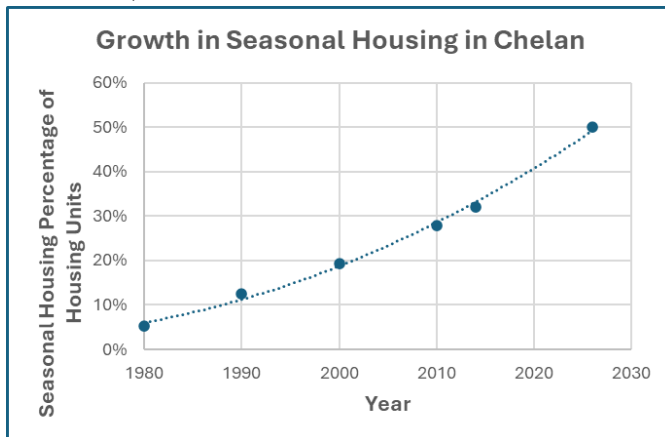
6. What the Future of Chelan's Housing Market Looks Like Now

Based on RC₃'s analysis, roughly 50 percent of all existing deeded dwelling units in Chelan are used seasonally (STRs and Non-STR Seasonal Houses combined). The growth of Non-STR Seasonal Houses has occurred over decades and continues today. The growth of STRs has occurred more recently, roughly doubling in the past 12 years. The following graph uses the

¹⁶ This proliferation of STRs and Non-STR Seasonal Houses is primarily due to the Lookout development, although some Non-STR Seasonal Houses were being built in other areas of Chelan as well.

¹⁷ Walla Walla did experience significant growth in STRs during the earliest part of this period, but new non-owner occupied STRs were disallowed by code enacted in November 2017.

current 50 percent figure, along with data from Chelan’s 2017 Comprehensive Plan, to show the nearly-exponential increase in seasonal homes in Chelan (STRs and Non-STR Seasonal Houses combined).



This trend clearly needs to be addressed if the city wishes to keep Chelan from becoming a center for transient visitors rather than a city of residents. As shown earlier in this letter, this trend has resulted in outsized increases in housing costs due to the lack of any policy to slow the growth of seasonal housing.

Looking forward, all available information suggests that this trend is set to continue.

The reason for this is that past iterations of Chelan government zoned too much of Chelan for tourist accommodations. Chelan has about 4,500 acres of land inside city limits (excluding the commercial airport zone). Of this, over 1,275 acres are areas zoned specifically as some form of “tourist accommodation”, which includes STRs (over 28 percent of all of the land within city limits).

An additional 730 acres are zoned such that STRs are allowed, some inside city limits and some outside city limits, but inside the urban growth area. The end result is that over one-third of the area within city limits allows for individual dwelling units to be used as STRs. This zoning cannot easily be undone - however, capping STRs would be a legal and effective way to address the issue without changing the zoning.

Based on current zoning, this land could accommodate well over a thousand additional STRs. The percent of available housing stock taken by STRs in Chelan could easily exceed 20 percent, or even 25 percent, in the relatively-near future if nothing is done to mitigate the growth of STRs. This is on top of the anticipated growth of Non-STR Seasonal Houses.

Because of the economic drivers associated with STRs discussed earlier, Chelan is seeing new development being permitted or proposed that is heavily focused on STRs.

One of those new developments is the Hiland Farms subdivision near the Chelan municipal golf course. The proposal for this development notes that they plan to create 359 lots over roughly 40 acres that are zoned to allow STRs. Note that the Lookout development has just over 200 such lots. The Hiland Farms subdivision has already platted the first 27 lots and construction has started. A request has been submitted to create the next phase of 47 lots.

A separate development located at the base of Chelan Butte is in the planning stages. Recent paperwork submitted by the landowners specifically calls out plans to build 200 STRs in the next 10 years and another 200 STRs over the 10 years after that, for a total of 400 new STRs.

Just these two projects could add 759 more STRs to Chelan, with over 1,000 acres of land zoned to allow STRs still remaining. This is the equivalent of nearly two Lookout developments every 10 years. These proposals imply that the rate of new STR construction would be nearly twice that caused by the Lookout development for decades into the future, keeping home construction costs high.

We note that although over 1,500 acres of land inside city limits allow for STRs, much of this land also allows for single-family, two-family, three-family and multi-family dwellings, townhouses, and cottage housing developments. If additional STRs were not allowed to be built on these lands, there would be a wide variety of types of residential housing that could be built instead, greatly improving the mix of residential housing available to those wishing to make Chelan their home.

City staff have noted that much of this land also allows for hotels¹⁸ and if STRs aren't allowed, then many new hotels will be built instead of residential housing. But hotels have been allowed on this land for decades. How many developers have decided to build a new hotel in Chelan in the past 20-plus years? None. The reason for this is that hotels have a completely different financial structure compared to STRs – they are riskier, more capital-intensive investments that do not convey the same benefits to the owner as STRs. An STR cap will not lead to a proliferation of hotels in Chelan.¹⁹ Further, the development of a hotel requires a full analysis of traffic and other types of impacts, as well as public input, to ensure that significant adverse impacts do not occur.

With no changes to city code to constrain this growth in STRs, Chelan's future will include:

- Continued rapid growth in STRs, with STRs and Non-STR Seasonal Houses continuing to comprise a greater and greater percentage of available houses for purchase or rent (about the current percentage of about 50%).
- Housing prices that continue to be much higher than other regional housing markets, making it difficult for even middle-income households to purchase or rent a house in Chelan.

¹⁸ City code defines a hotel as a building with at least six dwelling units.

¹⁹ We note that a 250-room hotel on the lower portion of Chelan Butte has recently been discussed, well before any public discussion of an STR cap, but is years away from any serious consideration.

- An urban center comprised mostly of transient visitors rather than a community of residents.

For this future to change, the City must be willing to take strong and decisive action.

7. Solutions

7.1.A Numerical Cap on STRs

RC₃'s letter to the City Council dated December 4, 2025, described in detail how other municipalities in Washington State and other nearby areas have implemented STR caps that have been upheld under legal scrutiny. Since Chelan already has code that requires all STRs to obtain a license and comply with operational standards, adding a cap to this existing code would be relatively simple. Enforcement to ensure that all operating STRs have a valid permit would continue as it currently exists.

Capping STRs at, for example, a level near the current number would have an immediate impact on the Chelan housing market. It would reduce the pace of new home construction in the near-term, producing the desired result of reducing construction costs (supply and demand). It would shift developer focus away from STRs and toward residential housing. All available evidence suggests that this would significantly slow the rise in housing costs in Chelan.

This would slow, and help reverse, the overall trend of seasonal housing becoming a larger and larger percentage of the available housing stock. The City's willingness to reshape the housing market will improve the livability of Chelan and encourage new residents to make Chelan their home. It will send a clear message about the City's priorities that will be appreciated by residents and tourists alike.

It is assumed that all existing licensed STRs would be grandfathered into the program (thus no decrease in tourist accommodations), though this grandfathering need not survive transfer of ownership in certain areas. Owners of existing STRs should actually support this program as it puts a cap on their potential competition for customers.

Taking this action would potentially require a moratorium on new STR licenses while the new code is being developed to prevent a run on STR licenses (Chelan County did this while developing its STR code).

Whether capped at the current level of STRs or slightly higher, all evidence suggests that this action would positively impact Chelan housing market prices.

7.2. What About Non-STR Second Houses?

City staff has rightly noted that Chelan also has a high percentage of existing housing stock as Non-STR Seasonal Houses that are not permitted as STRs. An analysis of existing properties confirms that over one-third of dwelling units within Chelan city limits are owned by persons or entities not residing in Chelan and not permitted as STRs.

It is difficult to confirm exactly how each of these dwelling units are being used. Possibilities include vacation/second homes used by the owners exclusively, rented long-term to tenants, used as STRs but not permitted, used as vacation rentals for family and friends only, etc.

Chelan city staff have asserted that these dwelling units that are second homes not permitted as STRs have a bigger impact on the local housing market than STRs. However RC₃'s analysis concludes that:

- Although Chelan has more Non-STR Seasonal Houses (over 1,000) than STRs (about 410) currently, the inventory of Non-STR Seasonal Houses has built up over a much longer period of time. What will most affect housing prices in Chelan going forward will be the change in inventories of these types of homes, not the current number, and
- Based on current growth rates, Non-STR Seasonal Houses have, at most, a similar impact on the Chelan housing markets that STRs do.

If the city wishes to also address Non-STR Seasonal Houses in Chelan, RC₃ would support this if it were done in an appropriate manner. A few cities (e.g., Honolulu, Berkeley, San Francisco, etc.) have assessed “vacancy taxes” on seasonal housing.²⁰ These taxes are typically several thousand dollars per year for houses that are not occupied a significant portion of the year.

There would be many details to work out to make such a tax work, including the amount of the tax, who is affected, and how compliance could be assured. But if housing prices in Chelan were to become more affordable in the future, it should be in service of those looking for long-term residences, not those wishing to purchase second homes.

We anticipate that there would be significant backlash to applying these taxes to existing Non-STR Seasonal Houses, but perhaps they could be applied to new houses of this type. Revenue from these taxes could then be directed toward affordable housing projects in the city, such as those developed through the Chelan Valley Housing Trust.

²⁰ Vacancy Taxes Across the U.S., <https://www.dawgsinc.com/vacancy-taxes-across-the-u-s/>.

8. Summary

Capping STRs is one regulatory action that the City of Chelan could take to increase housing affordability in Chelan that is legal, simple, effective, and likely to be supported by the vast majority of local residents and existing seasonal homeowners.²¹

RC₃ has also outlined how a tax/fee on Non-STR Seasonal Houses could help to positively impact the residential housing market and help to fund affordable housing, although this may be more complicated to implement and enforce.

In this letter, RC₃ has provided clear evidence that capping STRs would likely help to make housing in Chelan more affordable than it has been over the past few years. These market forces may not create a lot of “affordable housing” as defined by the Chelan Valley Housing Trust (affordable by households between 80 percent and 120 percent of the Area Median Income), but it can lower the cost of housing such that it is affordable for a larger segment of middle-class households and retirees who would like to move to Chelan and become part of its community.

We understand that this proposal may strike some as fairly severe. But that is the point and such measures are necessary to effect change. Otherwise, the current, undesirable market dynamics will continue. Similar decisions have been made by dozens and dozens of municipalities around the country because it is effective and the right thing to do.

After the housing market has had time to adjust, it would emerge with a focus on residential construction at a more reasonable cost.

There is another significant reason for the City to implement a cap on STRs beyond housing affordability. With recent announcements totaling nearly 800 new houses likely to be STRs already, and more to come, the continued rapid growth in STRs in Chelan will degrade its character. It is becoming a collection of housing for visitors instead of a community of residents. Current residents are adamantly and nearly-uniformly against this type of growth. The City needs to listen to its residents.

With an STR cap, Chelan will be more likely to attain the City’s stated goal of retaining its “small town charm”²² with a reasonable balance between tourist accommodations and long-term residences.

²¹ Assuming that existing seasonal homeowners (STRs and Non-STR Seasonal Houses) are grandfathered as part of any new program enacted.

²² Part of the City’s stated 2037 Chelan Comprehensive Plan Vision.



If no action on STRs is taken by the City, all available evidence indicates that STRs will continue to proliferate, resulting in continued high housing prices relative to other areas and a decline in what makes Chelan a desirable place to live.

We look forward to further discussion of this issue with the City and the local community.

Residents Coalition of Chelan County Board of Directors

cc: Erin McCardle – Chelan Mayor
John Ajax – Community Development Director

Figure 1

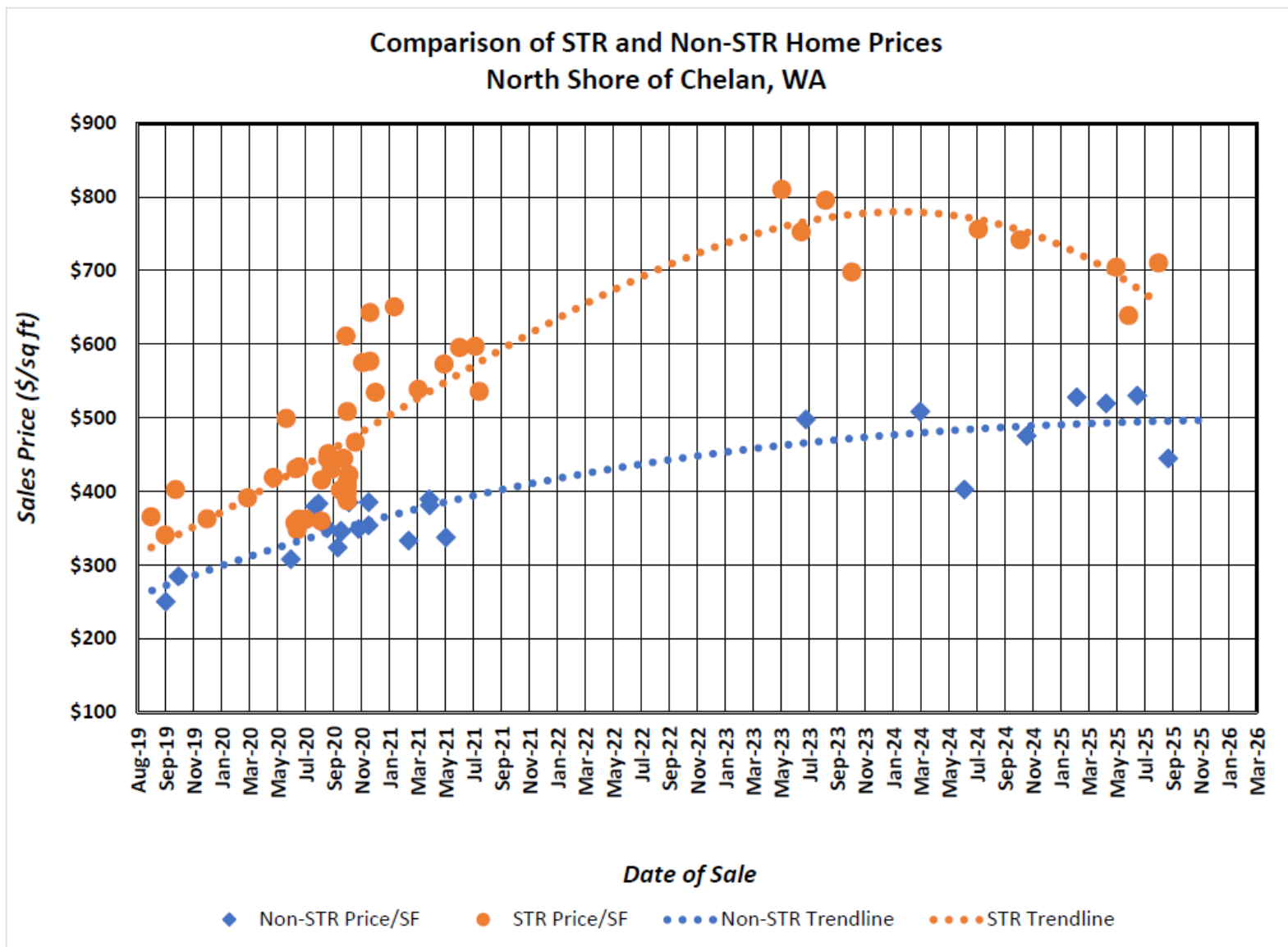


Figure 2

