

CITY OF TENINO

Accessory Dwelling Unit Program

A Statement from the Mayor to the Planning Commission

Comprehensive Plan Update | March 2026

Mayor's Opening Statement

Members of the Planning Commission,

As we finalize our Comprehensive Plan update — and with it, our obligation under Washington State HB 1337 to adopt new Accessory Dwelling Unit standards — I want to make the case for something more than minimum compliance. I want to make the case for a genuinely transformative program that uses this moment of required change to do something meaningful for Tenino's future.

We face a housing challenge that is specific to our city's geography: we are bounded on multiple sides and have very limited ability to expand outward. Every housing unit Tenino can ever add must come from the land we already have. ADUs are, in this context, not just a good idea — they are one of the only tools available to us at scale.

But beyond housing supply, I am asking this commission to see the ADU opportunity through three additional lenses: wealth creation for Tenino homeowners, financial health of our municipal utility systems, and the creation of an entry-level homeownership pathway that has never existed here before. Each of these outcomes is achievable, and each reinforces the others.

"Washington State's new ADU law gives Tenino an extraordinary tool. What we do with it will define whether our community grows equitably and sustainably — or simply stays the same while our housing crisis deepens."

Why Tenino — Why Now

Our Geography Demands Infill

Unlike cities with open fields available for subdivision, Tenino is effectively landlocked. That constraint, which can seem like a limitation, is actually an asset for an ADU program: it means housing created through ADUs carries durable value because there is no wave of competing new supply coming. A homeowner who invests in an ADU in Tenino is investing in a market with a structural floor under property values.

State Law Provides the Framework — We Need the Program

HB 1337, signed into law in 2023, requires all GMA-planning cities to permit at minimum two ADUs per residential lot, eliminate owner-occupancy requirements, cap ADU impact fees at 50% of the principal unit's fees, and — critically — allow ADUs to be sold as separate condominium units. Tenino must adopt code consistent with these requirements as part of our current comp plan cycle. The question before this commission is not whether to allow ADUs. The question is whether we pair that requirement with a proactive program that actually helps residents use this new right.

Tenino's Unique Advantages

Tenino Advantage	What It Means for ADUs
No existing impact fees	Zero fee barrier — unique in Thurston County area
Wastewater at 40% capacity	Every new connection improves system economics
Constrained geography	ADU values are durable; no sprawl to undercut them
Small, trusting community	Bulk-build and neighbor coordination is feasible
Lower land & construction costs	ADU program can reach affordability targets larger cities cannot
Active local construction trades	Construction dollars stay in Tenino; simple designs favor local builders

The Wastewater Dividend

Our wastewater treatment system currently operates at approximately 40% of its design capacity. This is a fiscal issue, not just an operational one. The system carries fixed costs — debt service, staffing, maintenance — regardless of how many connections it serves. Every new connection that routes through that system spreads those fixed costs across more ratepayers, reducing the per-unit cost burden and improving the utility's long-term financial sustainability.

ADUs connected to existing sewer laterals represent the most cost-effective way to add connections in the near term. We should consider two hookup policies that align with program goals:

- Shared lateral connections permitted for ADUs remaining under single ownership. The homeowner extends internal plumbing from the existing house connection — no new city tap required, minimal cost to the homeowner, and the city gains throughput benefit without infrastructure investment.
- Separate connections required only for ADUs sold as independent condominium units, where a distinct utility account is legally and practically necessary.

Additionally, the city should consider a sub-metering option: an internal meter at the ADU connection that allows accurate cost-sharing between the homeowner and tenant, without requiring

a separate city account. This is a small investment that prevents utility disputes and encourages responsible water use.

Recommendation: Adopt a tiered connection policy — shared laterals for rental ADUs, separate service for condo ADUs. Review connection fee schedule to ensure it reflects actual cost of service and does not create a barrier for lower-cost ADU configurations.

Homeowner Wealth Building

For many Tenino residents, their home is their primary — and sometimes only — significant asset. An ADU program gives those homeowners a structured way to increase both the income-producing value and the equity value of that asset, without relocating or subdividing.

Rental Income Scenario

A homeowner who builds a modest 700 sq ft detached ADU and rents it at affordable rates (say, \$900–\$1,100/month, which is well below Thurston County median rents) could expect:

Annual gross rental income	\$10,800 – \$13,200
Less: estimated operating costs	(\$1,500 – \$2,500)
Net annual income	\$8,300 – \$10,700
Estimated construction cost recovery	8–12 years at these rates
Estimated property value increase	\$80,000 – \$120,000

The Condominium Pathway — A New Tier of Homeownership for Tenino

This is perhaps the most consequential provision of HB 1337 that most people have not fully digested. The law explicitly prohibits cities from preventing the sale of an ADU as an independent condominium unit. That means a homeowner can build an ADU, go through a legal condominiumization process, and sell the ADU to a buyer with a separate deed and title — creating genuine homeownership on a fraction of the lot.

The implications for Tenino are significant:

- A first-time buyer could purchase a 700–900 sq ft condo ADU at a price point of perhaps \$130,000–\$170,000 — a homeownership entry point that does not currently exist in our market.
- The original homeowner recoups their construction investment, retains their primary home, and may walk away with additional equity — a genuine wealth-building event for a moderate-income family.
- Both units carry separate deeds, separate financing, and separate property tax assessments.

- The city gains a new taxpaying property owner without adding any infrastructure costs.

To make this pathway real, Tenino should work proactively with the city attorney to develop a template Condominium Declaration under RCW 64.90 that homeowners can use at minimal cost. We should also establish a relationship with community lenders — such as Timberland Bank or Olympia Federal Savings — who are willing to underwrite ADU condo purchases. These are one-time investments in infrastructure that benefit every participant in the program going forward.

The condo ADU pathway is not theoretical. Seattle has seen a measurable increase in ADU condominiumization since 2018. For Tenino, where land values make full single-family homeownership inaccessible for many working residents, this could be the most meaningful affordable homeownership tool we have ever created.

ADU Size Standards: The 1,000 vs. 1,200 Sq Ft Question

State law sets the floor: cities may not restrict ADU size below 1,000 gross square feet. However, the commission has the discretion to allow larger ADUs. I want to offer a balanced analysis of setting our maximum at the state minimum of 1,000 sq ft versus allowing up to 1,200 sq ft.

Allowing up to 1,000 sq ft (State Minimum)	Allowing up to 1,200 sq ft
Keeps ADUs clearly secondary in scale to most Tenino homes (many are modest 1,200–1,600 sq ft houses)	Allows genuinely family-sized 3-bedroom units, expanding the pool of tenants and buyers
Limits neighborhood character concerns — hard to mistake for a second primary dwelling	Could generate more neighbor resistance; a 1,200 sq ft structure feels more like a second house
Lower construction cost — critical for program affordability goals	Higher construction cost may push the program out of reach for moderate-income homeowners without subsidy
1,000 sq ft is adequate for 1–2 bedroom units appropriate for couples, small families, or seniors	Extra 200 sq ft adds roughly \$18,000–\$30,000 in construction cost at current Pacific NW rates
Simpler design library — pre-approved plans at this size are more universally applicable across Tenino lot sizes	Pre-approved plans at 1,200 sq ft are feasible but require larger minimum lot sizes to work well
Easier to maintain ADU affordability targets when size is constrained	Larger units may rent or sell at higher prices, reducing affordability program effectiveness
Risk: limits ability to house families with children, potentially skewing ADU tenants toward singles/couples	Benefit: a 3-bed/2-bath ADU condo sold at \$150,000–\$180,000 is still deeply affordable for a young family

Staff Recommendation on Size

I recommend the commission adopt a maximum ADU size of 1,200 sq ft, with the city's pre-approved design library and fee-waiver incentives focused primarily on units of 1,000 sq ft or under. This structure gives homeowners flexibility while directing program benefits toward smaller, more affordable, more broadly feasible units. A homeowner who wants to build a 1,200 sq ft ADU may do so; they simply do so outside the expedited-permit and fee-waiver tiers of the program.

This approach avoids being more restrictive than the state requires while giving the market a clear price signal about what the city values.

Proposed Program Structure

I am asking the commission to adopt not just compliant ADU code, but to direct staff to develop a full Tenino ADU Initiative alongside it. Here is the proposed structure:

Tier 1 — Rental ADU (Lowest Barrier)

- Use a pre-approved design from the city's Design Library (3–5 plan options at city expense, one-time investment)
- Fast-track permit review target: 3–4 weeks
- Permit fee waiver for homeowners who commit to renting at or below 80% of Area Median Income for 5 years
- Shared lateral sewer/water connection permitted to minimize hookup cost
- City provides landlord training referral to Thurston County resources

Tier 2 — Assisted Rental ADU

- Same as Tier 1, plus access to deferred construction financing through a Thurston County or CDFI partnership
- Loan repaid from rental income over time; requires affordable rent for duration of loan term
- Targeted to income-qualified homeowners who have equity but limited liquidity

Tier 3 — Condo ADU for Sale

- City provides template Condominium Declaration (RCW 64.90) at no cost to homeowner
- City maintains list of pre-qualified lenders for ADU condo buyer financing
- Separate water/sewer connection required; city sets clear, cost-of-service-based connection fees
- Optional: city right of first refusal for Community Land Trust purchase to preserve affordability in perpetuity

Supporting Infrastructure (One-Time Investments)

- Commission and fund a Design Library of 3–5 pre-approved plans (est. \$15,000–\$25,000)

- City attorney drafts template condo declaration (\$3,000–\$6,000 one-time)
- Designate one staff contact or trained volunteer as ADU Navigator — the single point of contact for all homeowner inquiries
- Create a simple one-page homeowner checklist and program guide, available at City Hall and on the city website

Honest Considerations and How to Address Them

Concern	Response / Mitigation
Construction cost is still high	Pre-approved plans, bulk contractor partnerships, and targeted financing assistance can bring realistic all-in cost for a simple 700 sq ft unit to \$90,000–\$120,000 in Tenino's cost environment. This is the primary challenge and should be addressed honestly in program design.
Neighbor resistance to density	Community engagement before the program launches — not after — is essential. Focus messaging on the types of ADUs most likely in Tenino: modest backyard cottages and garage conversions, not apartment blocks.
Parking pressure	HB 1337 allows up to one off-street space per ADU on most Tenino lots. Most of our residential lots can accommodate this without significant hardship. Monitor actual parking impacts and adjust as needed.
Lender familiarity with ADU condos	The condo pathway is new to most local lenders. City should proactively meet with Timberland Bank and Olympia Federal early to build that relationship before homeowners need it.
Short-term rental risk	HB 1337 does not prohibit cities from restricting short-term rentals of ADUs. We can and should include a provision prohibiting use of program-assisted ADUs as vacation rentals, preserving them for long-term housing.

A Local Economic Dividend

There is a benefit to this program that deserves to be named plainly: every dollar spent building an ADU in Tenino by a local contractor stays in Tenino. It pays wages to Tenino-area tradespeople, gets spent at local businesses, and circulates through our community rather than flowing to a manufacturer in Portland or a design firm in Seattle.

I want to be clear: the program does not require homeowners to use local contractors, and we would not want to impose that restriction. But the program's design — pre-approved plans, a vetted local builder roster, and streamlined permitting — is structured so that a local contractor is the easiest, fastest, and most supported path. The program creates conditions where choosing local is also choosing smart.

How Local Contracting Fits the Program

The program's pre-approved design library plays a central role here. A standard rectangular plan with a simple roofline and conventional framing is not complex construction — it is exactly what a skilled local contractor builds confidently and efficiently. The design simplicity that makes the plans affordable also makes them ideal for locally-based tradespeople who know Tenino's soils, know our building department, and have existing supplier relationships in the region.

Staff would maintain a voluntary "Tenino ADU Builder Roster" — licensed, bonded, and insured contractors who have been oriented to the pre-approved plans and the fast-track permit process. Homeowners using a roster contractor access the streamlined program lane automatically. Contractors benefit from a steady, predictable pipeline of work rather than one-off custom bids. Over time, as roster contractors build multiple ADUs from the same plans, their efficiency improves and their costs to homeowners come down.

There is also a longer-term workforce development angle worth noting. South Puget Sound Community College runs construction trades programs in the region. A partnership connecting those students to supervised ADU project sites — under licensed contractor oversight — could reduce labor costs for participating homeowners while giving students real project experience. This is not a requirement or even a near-term action item; it is the kind of natural extension that a well-designed local program makes possible over time.

What This Means in Practice

A 10-unit ADU build year — a modest, achievable target in the program's first few years — at an average construction cost of \$130,000 represents \$1.3 million in local construction activity. That is real money circulating in a city of Tenino's size: wages for framers, plumbers, and electricians; materials from regional suppliers; and ongoing maintenance relationships that keep local tradespeople employed year after year.

Like the wastewater benefit, this is not the primary purpose of the program. But it is a genuine and compounding side effect — one that makes the case for the program broader and stronger than housing alone. We are not just adding homes. We are investing in the people who build them.

Closing Argument

The Comprehensive Plan update we are completing is a ten-year vision for Tenino. When we look back from 2036, I want us to be able to say that when the state gave us a new tool, we picked it up and used it — not just on paper, but in a way that meaningfully changed the lives of Tenino residents.

We have the geographic constraint that makes ADUs not optional but essential. We have the wastewater capacity that makes every new connection a fiscal benefit rather than a burden. We have no impact fees, which removes a barrier that hamstring programs in larger cities. We have a local trades workforce that can build this program from the inside out, keeping construction dollars circulating in our own community. And we have the small community fabric that makes a Navigator model, bulk build partnerships, and neighbor-to-neighbor engagement actually achievable.

The tools are in our hands. I am asking this commission to give the city the code framework, and to direct staff to build the program that makes those tools accessible to every homeowner who wants to use them.

I ask the Planning Commission to: (1) adopt ADU standards that meet or exceed HB 1337 requirements, including a maximum ADU size of 1,200 sq ft; (2) direct staff to develop the Tenino ADU Initiative program framework within 90 days of plan adoption; and (3) authorize the city to begin conversations with Thurston County, potential lender partners, and design professionals about program implementation.

Respectfully submitted,

Mayor, City of Tenino

March 2026