VISION 2050

Housing Background Paper

June 2018

Puget Sound Regional Council

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1 INTRODUCTION

Between now and the year 2050, the central Puget Sound region is expected to grow by an additional 1.8 million residents and 830,000 households. A critical issue will continue to be providing adequate housing for all segments of the region's population. Meeting the housing needs of all types of households at a range of income levels is integral to creating a region that is livable for all residents, economically prosperous, and environmentally sustainable.

Volatility in the housing market since VISION 2040 was adopted in 2008 underscores many of the challenges ahead. From the precipitous drop in housing prices and foreclosures of the Great Recession, to the current economic upswing and job growth that has led to historic increases in rents and home prices, the region's housing market has experienced great highs and lows that have benefited some and created and exacerbated hardship and inequalities for others.

The VISION 2050 planning process is an opportunity to raise awareness of regional housing issues and to identify coordinated strategies, policies, and actions to ensure that the region's housing needs are met. As illustrated below, a multitude of demand and supply factors influence the cost and availability of housing. Some factors can be shaped by public policy, while others are largely beyond regional or local control.

Figure 1: Factors Influencing Housing Costs

This paper seeks to quantify through data analysis what many residents experience on a daily basis – the housing market is becoming increasingly unaffordable. Rents and home prices are rising quickly, making it challenging to find affordable homes close to jobs. This paper also reviews current policy frameworks, recent housing initiatives, and a range of housing tools as we look to update the region's growth, economic and transportation strategy and extend the plan to the year 2050.

2 BACKGROUND AND POLICY CONTEXT

2.1 HOUSING IN THE GROWTH MANAGEMENT ACT (GMA)

The Washington Growth Management Act's (GMA) overarching planning goal for housing (Goal 4) is to "[e]ncourage the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock."[1]

The Act requires that countywide planning policies (CPPs) and multicounty planning policies (MPPs), which establish the policy framework for local comprehensive plans, at a minimum include "policies that consider the need for affordable housing, such as housing for all economic segments of the population and parameters for its distribution."[2]

Finally, the Act requires that local jurisdictions develop comprehensive plans that include "a housing element ensuring the vitality and character of established residential neighborhoods that: (a) Includes an inventory and analysis of existing and projected housing needs that identifies the number of housing units necessary to manage projected growth; (b) includes a statement of goals, policies, objectives, and mandatory provisions for the preservation, improvement, and development of housing, including single-family residences; (c) identifies sufficient land for housing, including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multifamily housing, and group homes and foster care facilities; and (d) makes adequate provisions for existing and projected needs of all economic segments of the community."[3]

3 HOUSING IN COUNTYWIDE PLANNING POLICIES

Countywide planning efforts play an important role in addressing housing, beginning with their targeting processes for allocating residential and employment growth. Countywide planning policies (CPPs) were updated in 2012 and 2013, after the adoption of VISION 2040 and prior to the periodic update of local comprehensive plans in 2015 and 2016. Consistent with the VISION 2040, CPPs in each of the four counties set housing growth targets for cities and unincorporated areas.

Countywide planning policies also include a variety of policies related to affordable housing. While none of the counties currently assign affordable housing targets to jurisdictions, the CPPs do provide guidance on assessing local needs within a context of countywide need. As amended in 2012, the King County CPPs include a countywide benchmarks for overall affordability within jurisdictions, which local governments have used to guide their local housing planning.

CPPs in each of the counties also include policies that encourage local consideration of a variety of housing tools, such as mandatory inclusionary zoning and various types of housing incentives. The CPPs also generally encourage coordination around monitoring housing outcomes over time.

[1] Revised Code of Washington (RCW) 36.70A.020 (4), Washington Administrative Code (WAC) 365-196-305

[2] RCW 36.70A.210

[3] RCW 36.70A.070

4 HOUSING IN LOCAL COMPREHENSIVE PLANS

Local comprehensive plans establish the overall vision for community development, set the framework for future land use and zoning, and set local priorities for strategies and investments.[4] As such, they have a direct impact on housing and housing affordability. The housing chapter of each plan is expected to address several aspects of housing and housing affordability. First, plans should promote increased housing production opportunities, including diverse types and styles for all income levels and demographic groups. The housing element should evaluate affordable housing needs, including an assessment of existing and future housing needs based on regional and local factors, including household income, demographics, special needs populations, and adequacy of existing housing stocks. Finally, local plans should address regional housing objectives in VISION 2040, including accommodating a fair share of housing diversity and affordability, jobs-housing balance, housing in centers, and flexible standards and innovative techniques.

5 MARKET TRENDS

A wealth of data exists that describes aspects of a rapidly changing housing market over the past decade. What follows are highlighted statistics that relate most directly to housing demand, supply, costs, and affordability. Implications for policy and action are noted.

5.1 GREAT RECESSION AND RECOVERY

Though the region boomed economically from 2005-2008, it then lost significant ground during the Great Recession. Home prices dropped to a low in 2011-12, with historic rates of home foreclosures. The region lost approximately 130,000 jobs during the recession, unemployment surged, and housing construction came close to a standstill. Figure 2 illustrates the dramatic dive in home price and climb in unemployment during the Great Recession.

Figure 2: Home Price & Unemployment Rate through Recession and Recovery

Source: Zillow; WA ESD

[4] RCW 36.70A.070

The U.S. economic recovery began in 2010 and the central Puget Sound region has recovered better than the nation as a whole. As of 2014, the region had replaced all the jobs lost in the recession and Seattle led the nation in population growth per capita. However, this recovery has not been experienced equally throughout the region.

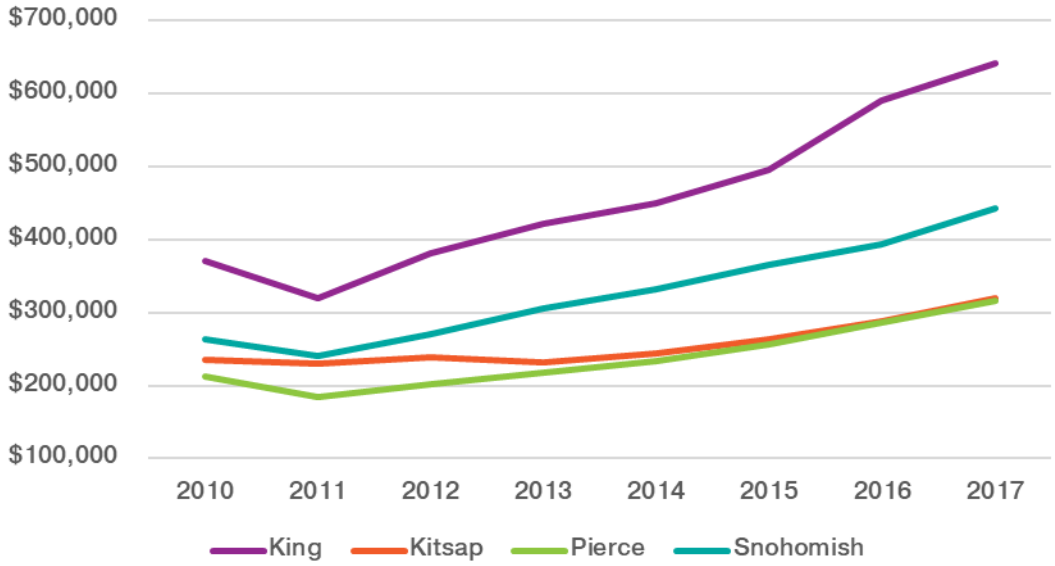
Areas with stronger job and income growth, such as the central Puget Sound region, have seen faster rates of recovery and a larger share of homes surpassing their 2007 peak values. Trulia data[5] shows that approximately 80% of homes in the Seattle metro area have recovered to pre-recession prices.

5.2 MEDIAN HOME PRICE

The Seattle metro area, comprised of King, Pierce, and Snohomish counties, has led the nation in annual housing cost increases for the past five years[6]. From 2012 to 2017, home prices climbed 62%. From 2016 to 2017, home prices in the Seattle metro area went up 10%, a rate of over $5 every hour.[7] A household needs to earn $145,000 annually (equivalent to a wage of $70 per hour) to afford the median priced home in King County in 2018.

While all home prices are increasing, the price gap is widening among the counties, with King County home prices close to double the cost of homes in Kitsap and Pierce counties (Figure 3).

Figure 3: Median Home Value



Source: Zillow

The map in Figure 4 shows home value[8] by zip code area. The highest valued homes are concentrated in the inner neighborhoods and waterfront areas of Seattle, broadly across east King

[5] Trulia. (2018). https://www.trulia.com/blog/trends/home-value-recovery-2017/

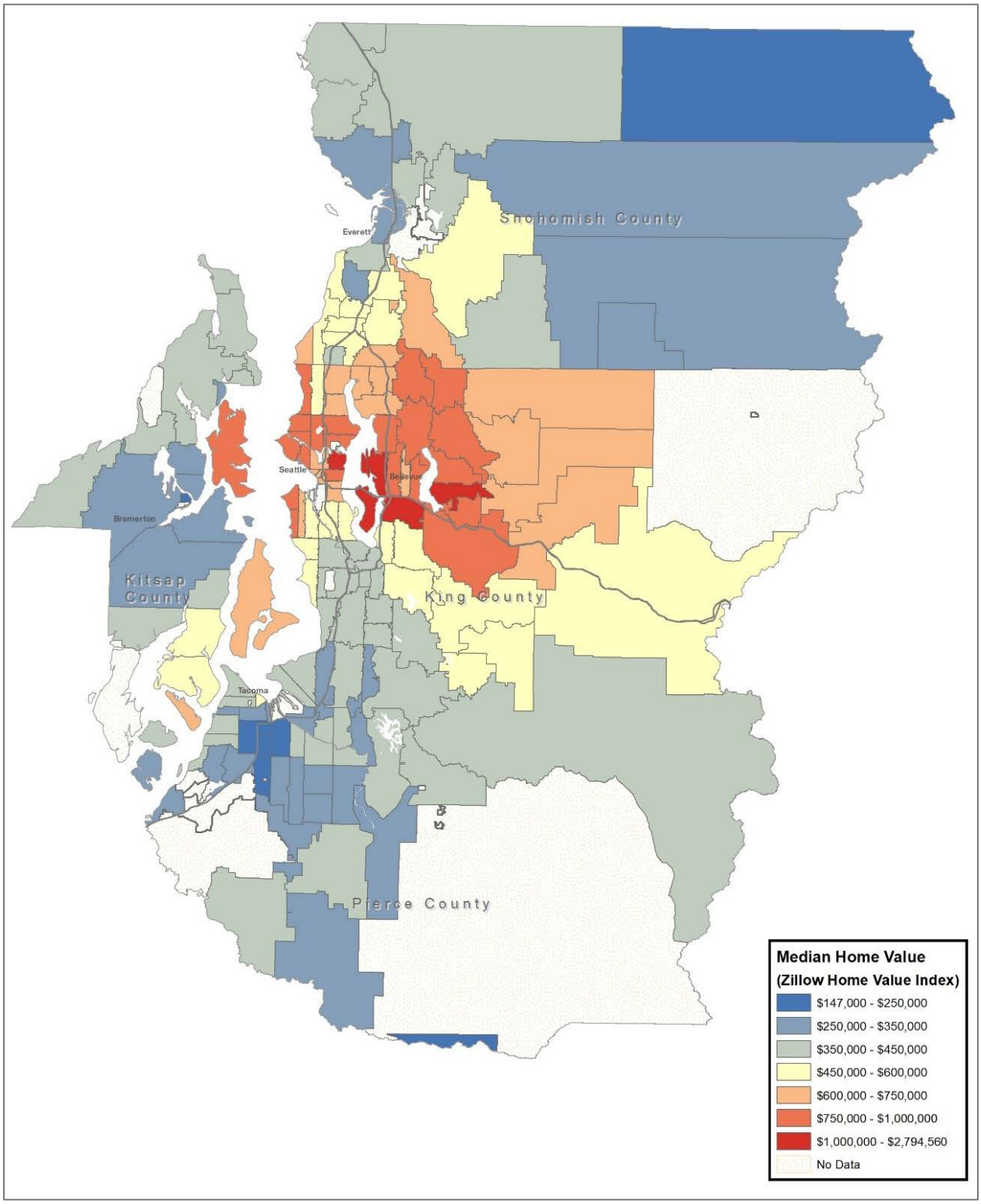
[6] Case Schiller Home Price Index (2018). Available https://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller

[7] WCRER, 2017

[8] Figure 4 shows Zillow Home Value Index (ZHVI): A smoothed, seasonally adjusted measure of the median estimated home value across a given region and housing type. It is a dollar-denominated alternative to repeat-sales indices.

County, and Bainbridge Island. Areas with much lower average home values include much of Pierce County, Kitsap County, and in Snohomish County north from Everett.

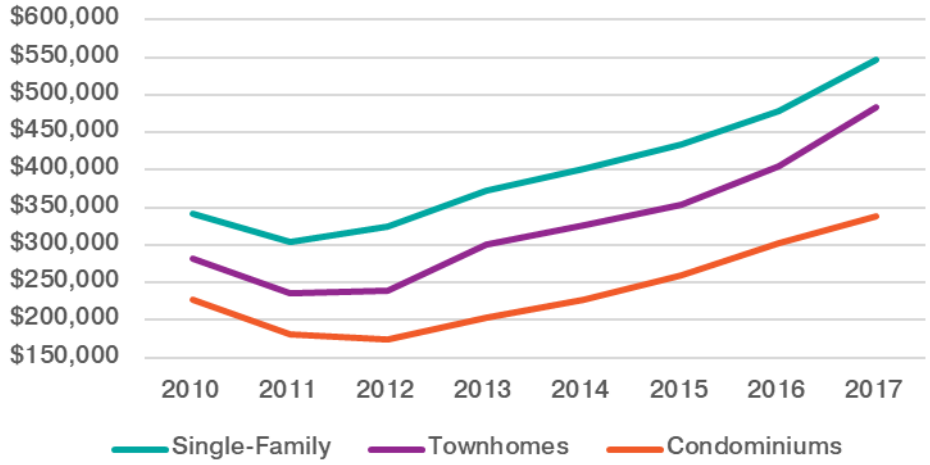
Figure 4: Home Value by Zip Code, 2017



Source: Zillow

Housing prices also vary by housing type. Sales data for the Seattle metro area by housing type shows that, on average, townhomes and condominiums cost less than detached single-family homes, as illustrated in Figure 5.

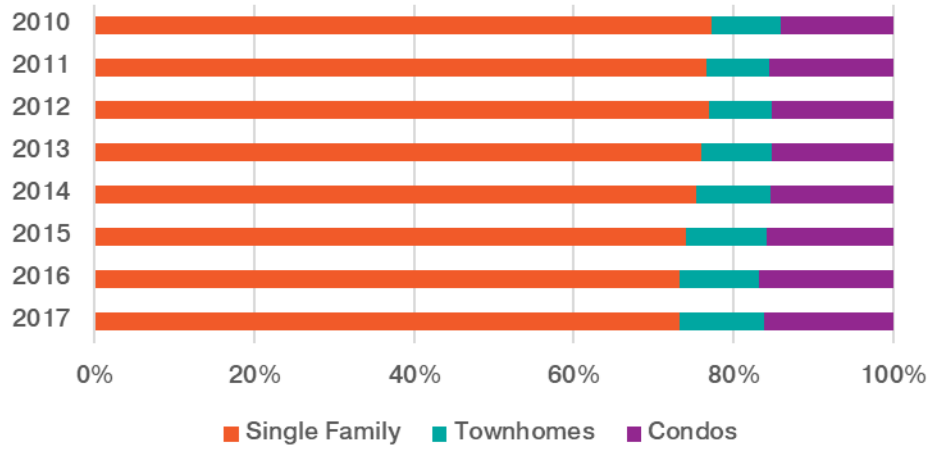
Figure 5: Median Sales Price



Source: Redfin

Condominiums and townhomes have traditionally served as entryways for first time homeowners. Figure 6 shows that while the inventory of townhomes and condominiums has grown slightly since 2010, single family homes represent the lion's share of the housing inventory.

Figure 6: Homes Sold by Unit Type

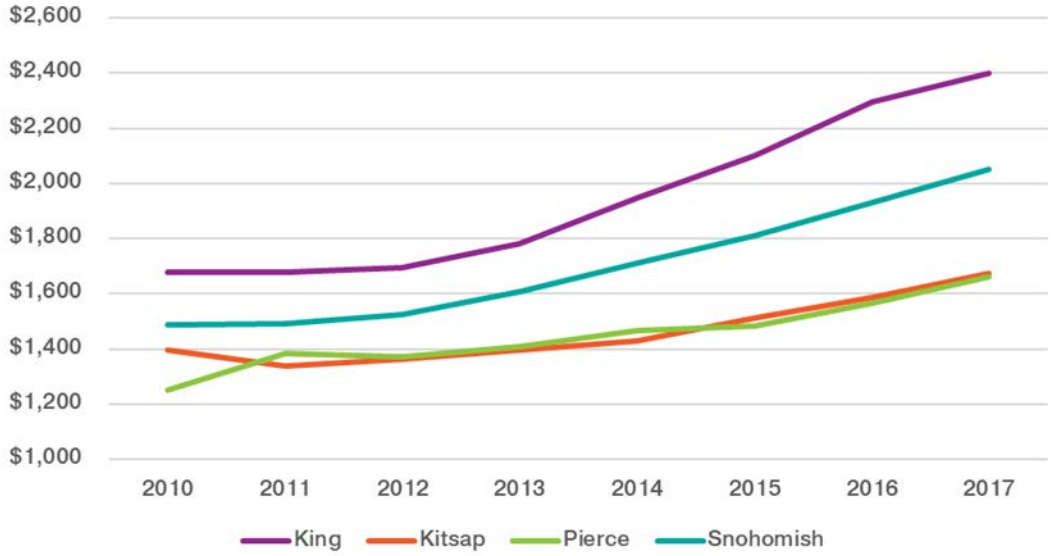


Source: Redfin

5.3 MEDIAN RENT

Similar to home prices, rent[9] has also risen significantly since 2012. From 2012 to 2017, rents increased 57%, with a 5-6% increase in each county from 2016 to 2017. While median rents are increasing across the region, the rent gap is widening among the counties.

Figure 7: Median Rent, 2010-2017



Source: Zillow

Looking at average rent, the data varies but the general trend is consistent with median rent. The average rent in spring 2017 was just under $1600, as shown in Figure 8. As with median rent, there is variation based on location[10], size of building, and year built.

Figure 8: Average Rent of Market Rate Multifamily Rental Units, 2017

	5-19 Unit Bldgs	20+ Unit Bldgs	Units Built 2013-2017	All Units
East King	$1,447	$1,957	$2,152	$1,951
Kitsap County	--	$1,336	$1,533	$1,336
Pierce County	--	$1,214	$1,609	$1,214
Sea-Shore	$1,497	$1,828	$2,172	$1,793
Snohomish County	$1,121	$1,501	$1,816	$1,488
South King	$1,111	$1,386	$1,700	$1,380
Region	$1,417	$1,602	$2,073	$1,595

Source: Dupre + Scott

-- Data not available

[9] Trends in rent can be assessed by looking at changes in median rent, the middle point in rent prices, indicating that 50% of rents are higher and lower than the median; or by the average which takes the total rent divided by the number of units. The average rent can be skewed by relatively few units with very high or low rents. This paper utilizes both metrics because different rental data sources use median and average rent. Note that the median and average rent cannot be used interchangeably.

[10] Subareas in King County include Sea-Shore (Seattle, Shoreline), East King (Mercer Island, Newcastle and all cities north to county line, east of Lake Washington), and South King (Renton, Tukwila, Burien and all cities south to county line)

RENT IN CENTERS

Apartment rents within Regional Growth Centers[11], overall, are higher than the regional average. However, there is great variability in rents among centers. Centers in Seattle, Bellevue, and Redmond, all of which have seen significant new multifamily development[12], have the highest average rents, pushing above $2,000 in some locations. At the lower end are centers which contain some of the region's most affordable market rate housing, typically in older buildings.

Figure 9: Average Rent in Regional Growth Centers, 2017

	Average Rent	Difference - Center and City Avg. Rent
Total Units in Centers	$1,871	17%
Bothell Canyon Park	$1,736	-1%
Redmond-Overlake	$2,220	10%
Silverdale	$1,565	15%
Bellevue	$2,260	12%
Redmond Downtown	$2,078	3%
Sea-South Lake Union	$2,234	17%
Kent	$1,627	16%
Sea-Downtown	$2,261	18%
Renton	$1,613	4%
Kirkland Totem Lake	$1,712	-12%
Sea-Uptown	$1,834	-1%
Sea-First Hill/Cap Hill	$1,790	-4%
Bremerton	$1,484	23%
Sea-Northgate	$1,539	-21%
Sea-University	$1,677	-11%
Tacoma Downtown	$1,319	5%
Puyallup South Hill	$1,388	8%
Tacoma Mall	$1,268	1%
Everett	$1,285	-3%
University Place	$1,141	1%
Auburn	$1,423	12%
Lakewood	$1,046	-1%
SeaTac	$1,212	-11%
Burien	$1,058	-17%
Lynnwood	$1,370	-1%
Puyallup Downtown	$1,042	-23%

Source: Dupre + Scott

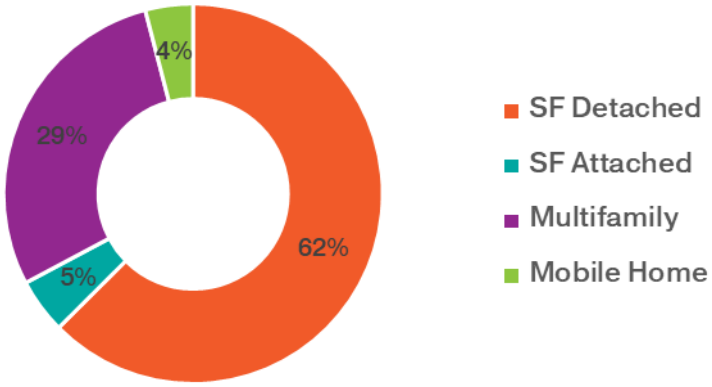
[11]Regional Growth Centers are regionally designated places characterized by compact, pedestrian-oriented development, with a mix of uses. While relatively small geographically, centers are strategic places to receive a significant proportion of future population and employment growth.

[12] PSRC Residential Permits Database, 2016

5.4 UNITS BY TYPE

Of the total housing units in the region (1,622,591), the majority of housing units in the region are detached single-family homes, as shown in Figure 10.

Figure 10: Housing Units by Type



Source: ACS

Figure 11 shows that housing type varies among the four counties. Detached single-family homes make up the largest percentage of the overall housing stock in Kitsap County (68% of all units by type). King County has the lowest overall share of single family detached among the counties at 55% and a significantly larger stock of multifamily homes. Attached single-family units, such as townhomes, row houses, and zero lot line units, comprise a very small percentage of the total housing stock and do not account for more than 5% of the housing stock in any of the four counties.

Figure 11: Housing Unit Type by County, 2017

	King	Kitsap	Pierce	Snohomish
SF-Detached	55%	68%	65%	64%
SF-Attached	4%	5%	4%	5%
Multifamily	39%	18%	24%	26%
Mobile Homes	2%	9%	6%	5%

Source: ACS

5.5 CONSTRUCTION TRENDS

Regional data echoes national trends in construction of new housing units. Housing construction slowed dramatically during the Great Recession. While there have been substantial gains in housing production since the recession, housing production has yet to make up for the recessionary production drop (Figure 12).[13]

[13] Joint Center for Housing Studies of Harvard University. (2017). The State of the Nation's Housing 2017. Available at http://www.jchs.harvard.edu/research/state_nations_housing.

Figure 12: Decennial Housing Production

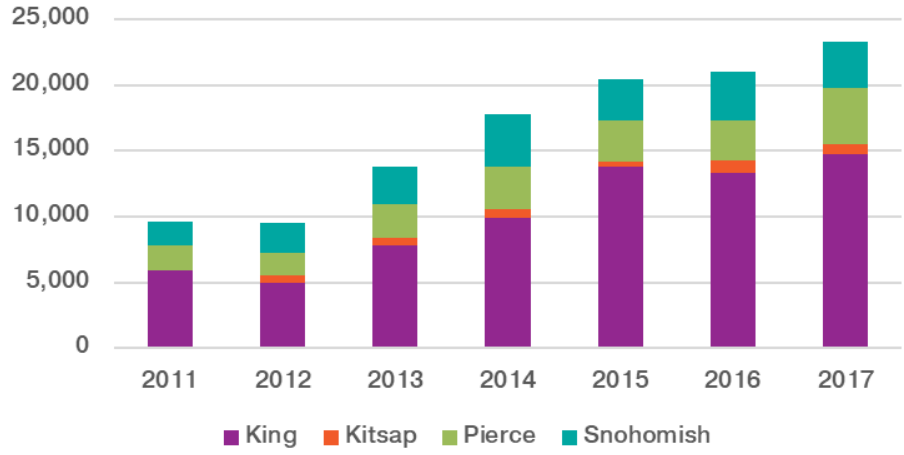
Source: OFM

The most recent housing production data, 2010-2017, is not a ten-year period, and thus not directly comparable with past decades. However, given annual housing production in 2016-2017 was approximately 25,000 units, it is unlikely that annual housing production from 2018-2020 will fill the gap to bring decennial housing production in line with the historic trend for past decades.

Availability of suitable zoned land and market forces impacting the construction industry make development of moderately priced housing difficult. Many local land use regulations favor lower density development, and the construction industry is employing about 20% fewer people than in 2007.[14]

Overall, annual housing production has picked up in recent years, with the bulk of new housing units being constructed in King County. Pierce County saw an uptick in housing construction in 2017, compared to Kitsap and Snohomish counties.

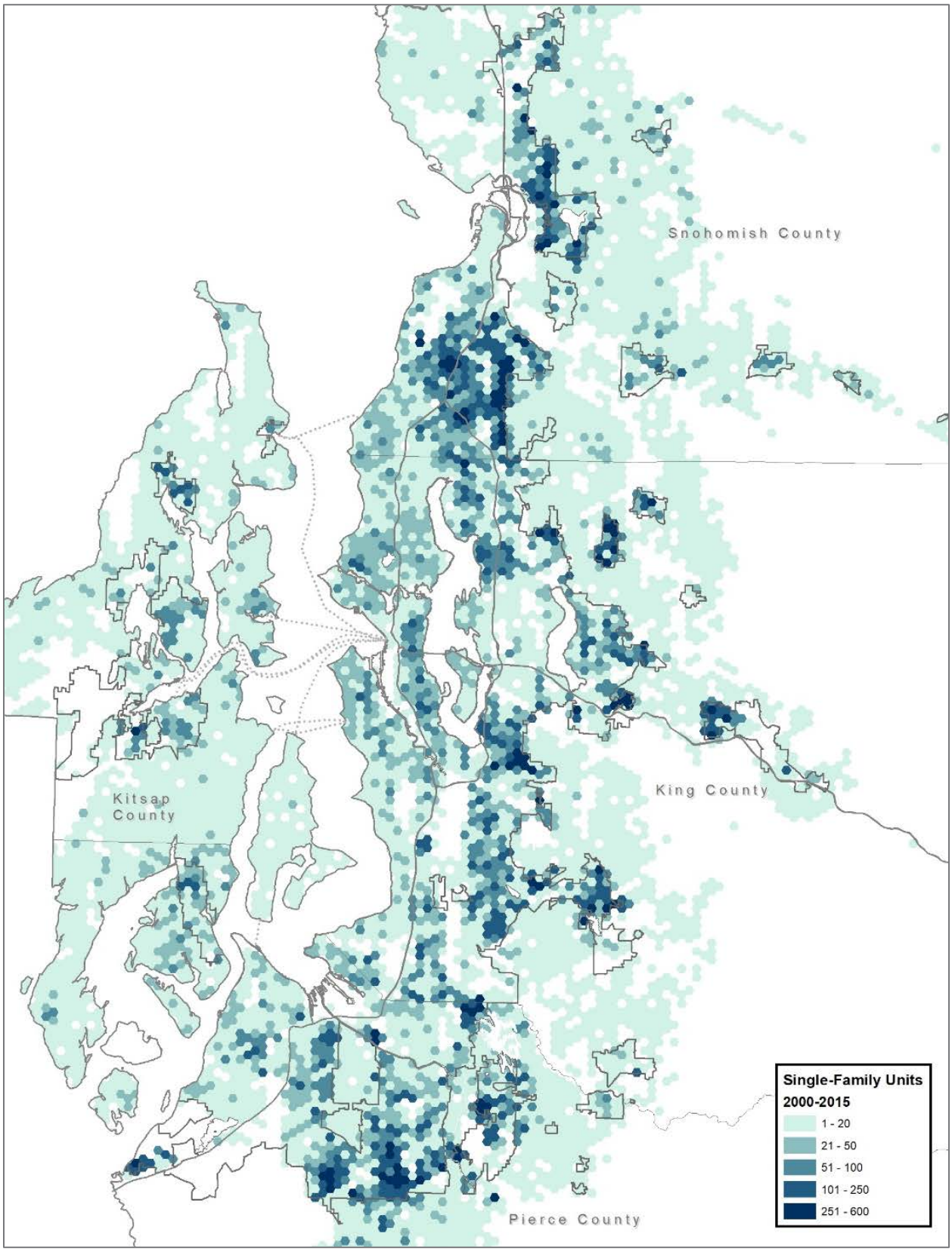
Figure 13: Annual Housing Production



Source: OFM

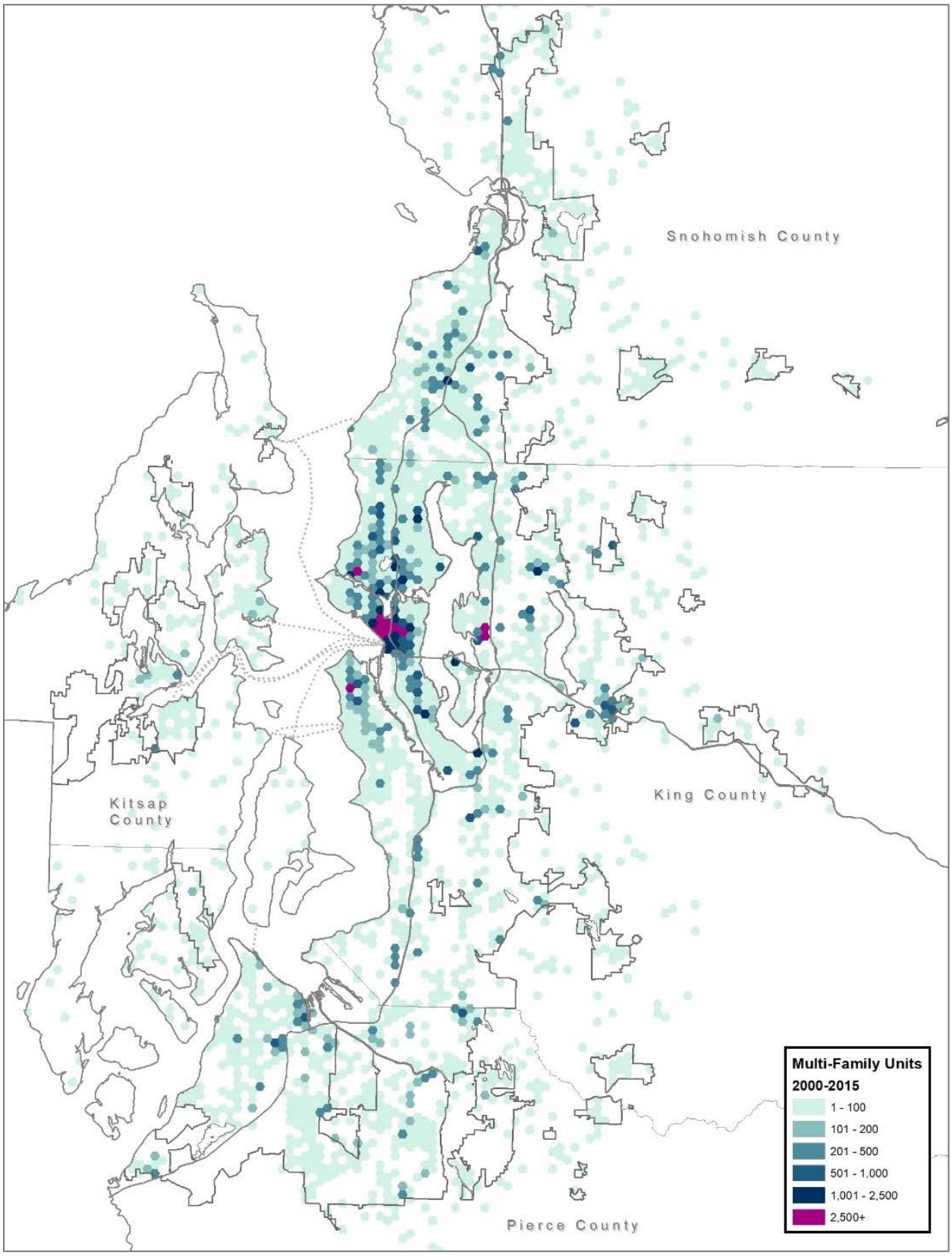
[14] Joint Center for Housing Studies of Harvard University. (2017). The State of the Nation's Housing 2017. Available at http://www.jchs.harvard.edu/research/state_nations_housing.

Figure 14: Single-Family Housing Growth



Source: PSRC Residential Permits database

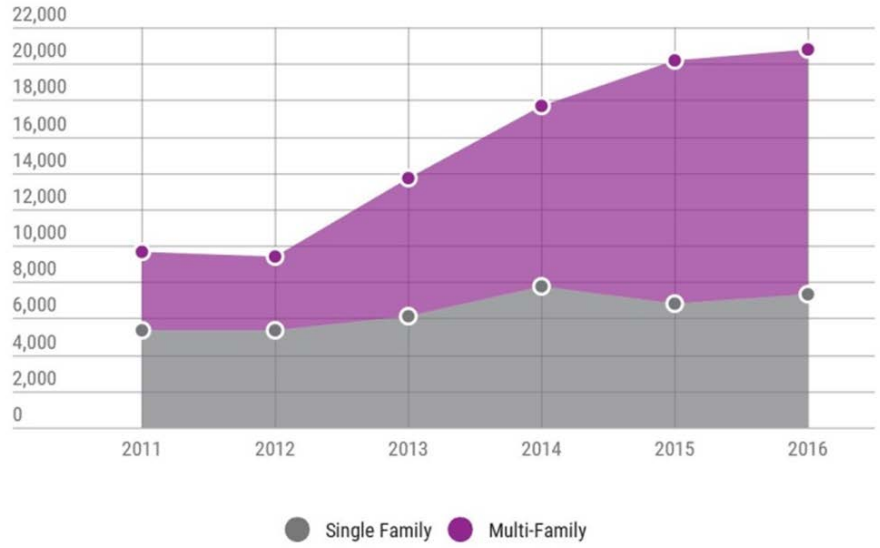
Figure 15: Multifamily Housing Growth



Source: PSRC Residential Permits Database

Construction of multifamily units has risen substantially and now accounts for about two-thirds of all housing construction in the region, a historic break from past trends where construction was dominated by single-family units. Adding multifamily units helps to diversify the housing stock and provide more affordable options. However, while a surge in construction of apartments has helped to meet growing housing demand, as rentals, they often do not offer ownership opportunities.

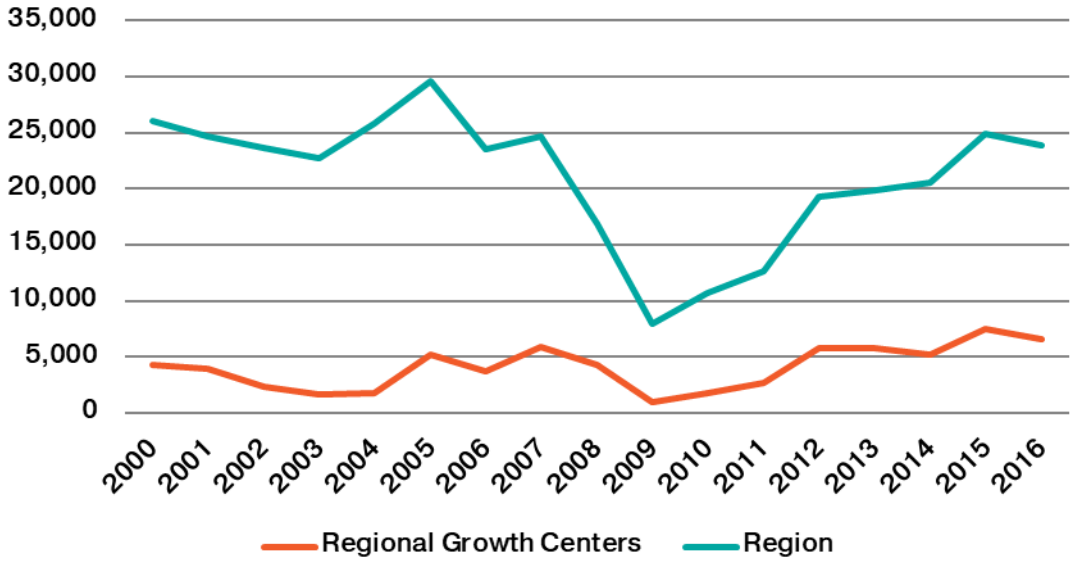
Figure 16: Annual Change in Housing Units in the Region



Source: PSRC Residential Permits Database

Housing growth in regional growth centers accounts for a significant share of multifamily unit growth and the overall share of housing unit growth since 2011. Approximately 27% of housing units permitted in 2016 were located in Regional Growth Centers, shown in Figure 17.

Figure 17: Net Housing Permits

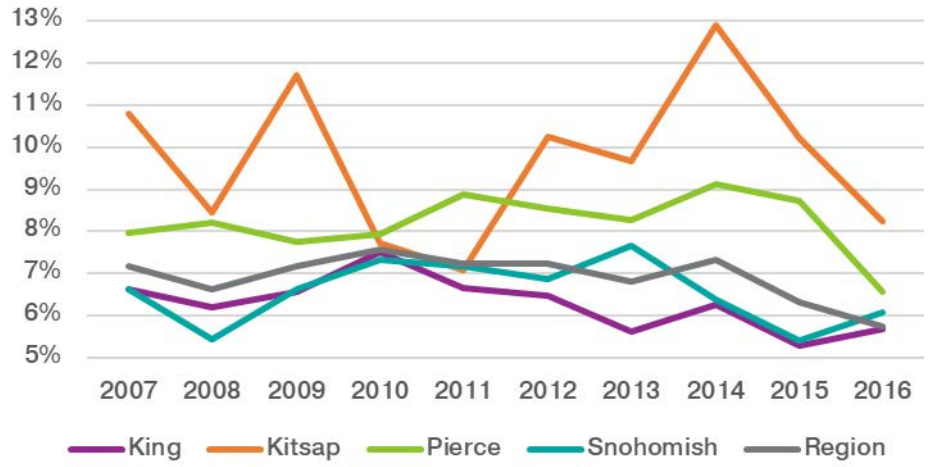


Source: PSRC Residential Permits Database

5.6 VACANCY RATES

Vacancy rates are at historic lows across the region. Figure 18 shows that vacancy increased in all four counties during the Great Recession but is now lower regionally than during the last peak in 2007. Fewer vacant units, for renters and buyers, leads to increased competition for available units, driving up costs.

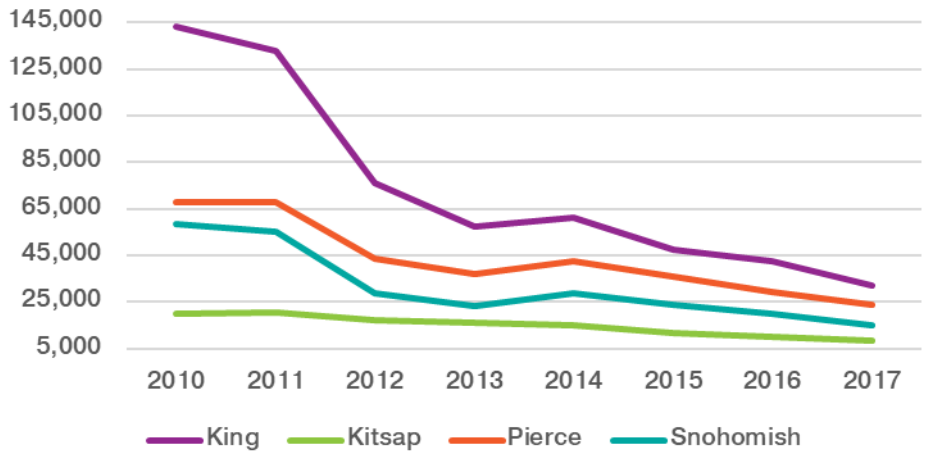
Figure 18: Vacant Units



Source: ACS

The number of available homeownership opportunities, often measured by the inventory of residential properties for sale, is at a historic low. All counties have seen declines, with the most dramatic contraction in for-sale inventory in King County.

Figure 19: For Sale Inventory

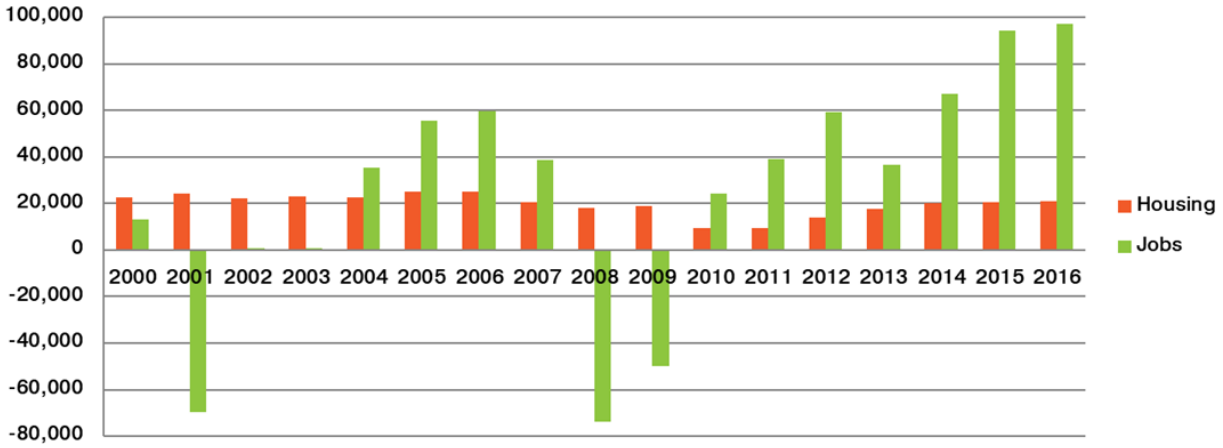


Source: Zillow

6 DEMAND

The central Puget Sound region has experienced sustained employment growth since emerging from the recession in 2010, with exceptionally strong job growth since 2014. This growth has contributed to a surge in the demand for housing.

Figure 20: Annual Change in Jobs and Housing



Source: OFM

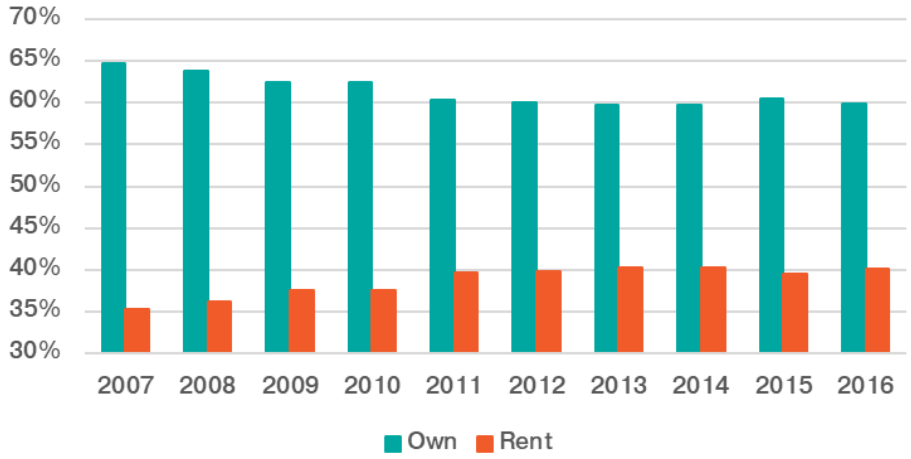
Figure 20 shows annual change in housing and jobs over time. There is not a 1:1 relationship between jobs and needed housing units in any given year. Households often contain more than one worker, and housing response to job growth generally lags over several years, reflecting the time it takes to finance and develop housing. With these caveats in mind, the data show that while housing construction has picked up substantially since a low in 2011, the construction of new housing units is not keeping pace with job growth and is just now approaching pre-recession levels of production.

Job growth, increasing incomes, and changing demographics have all contributed to changing housing demands which are reflected in data on tenure, household formation, and size.

6.1 TENURE

The majority of households in the region, 60%, own their homes. However, the percentage of home owners dropped during the Great Recession and has marginally improved since. One factor driving this trend is the relatively low supply of homes for sale. However, demand factors, such as the influx of job seeking renters and Millennials waiting longer to buy homes than previous generations, are likely in play as well.

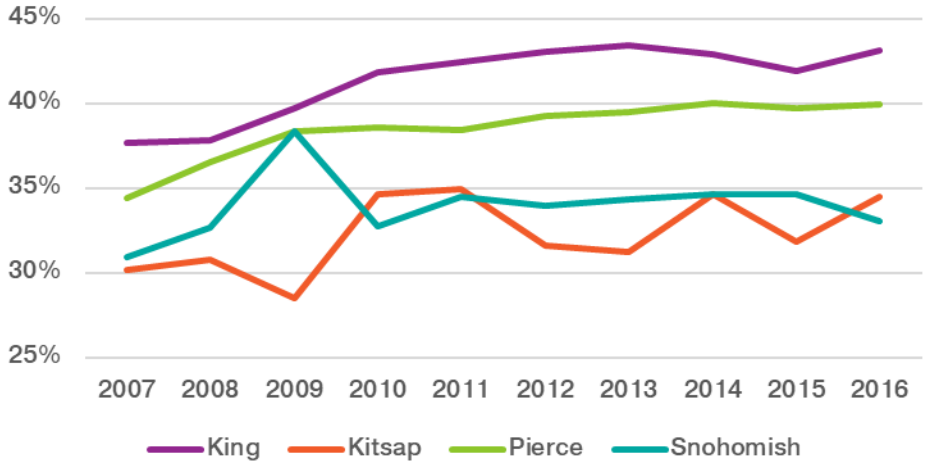
Figure 21: Housing Tenure



Source: ACS

There is some variation in housing tenure at the county level. The percentage of renter occupied housing has grown in all four counties, with the greatest increases in King County and Pierce County. The difference in the percentage of renter occupied housing among the counties has also grown, with a widening gap in renters in King and Pierce counties compared to Kitsap and Snohomish counties.

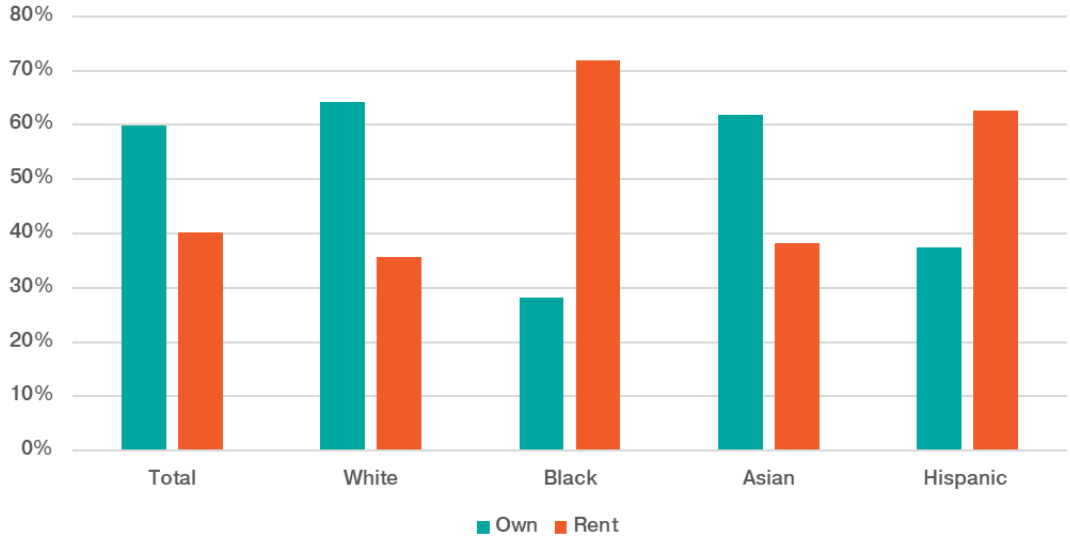
Figure 22: Renter Occupied Housing



Source: ACS, 2018

There are greater variations in housing tenure when analyzed by the race/ethnicity of the households. The majority of Black and Hispanic households are renters, while the majority of White and Asian households are home owners, as shown in Figure 23.

Figure 23: Housing Tenure by Race/Ethnicity

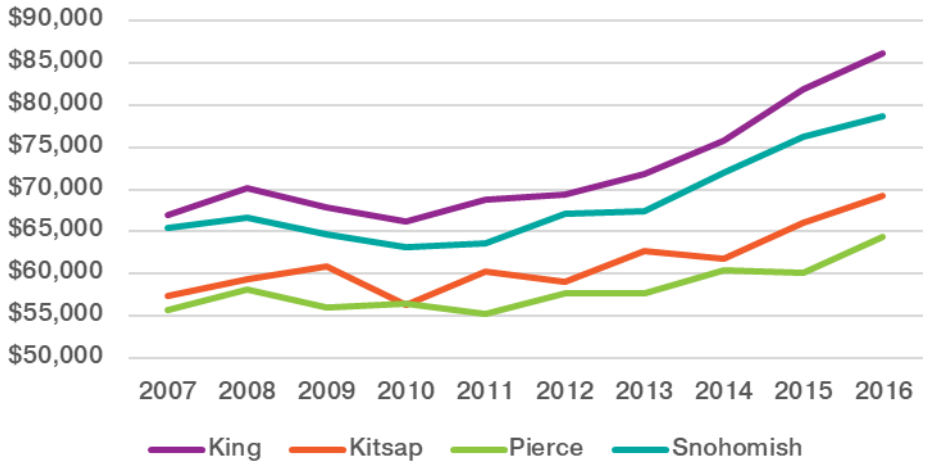


Source: ACS

6.2 INCOME

Income affects a household's ability to purchase or rent a home. Like housing costs, household income varies across the region shaping local housing market conditions. Figure 24 highlights that with the last recession, median household income dipped across the region in 2010 and has climbed since 2011. The gap among median income by county has grown substantially since 2011.

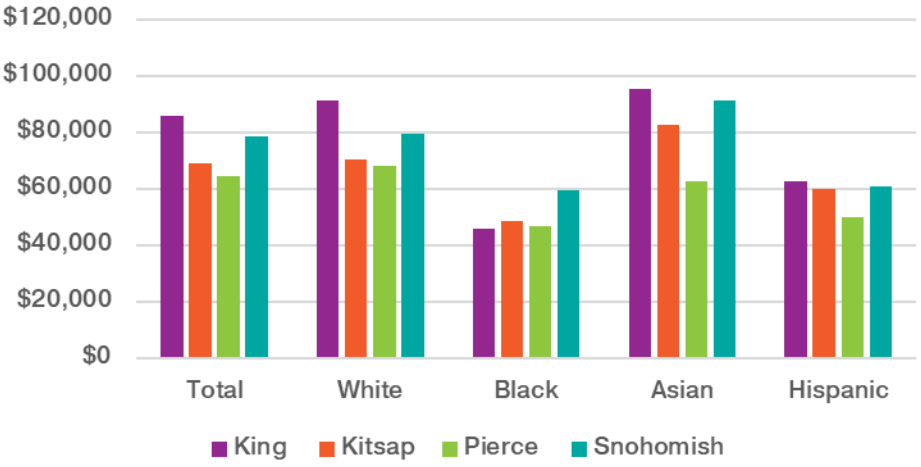
Figure 24: Median Household Income



Source: ACS

There is a strong relationship between race/ethnicity and income. On average, White and Asian households earned over 20% more than Black and Hispanic households, as shown in Figure 25. Black households experience the largest disparity in income of the groups analyzed. Regionwide, a Black household will earn one-third less than the regional median income.

Figure 25: Median Income by Race/Ethnicity



Source: ACS

6.3 WAGES

Data on wages[15] highlight the interactions among affordable housing, regional economic growth, and the experience of actual workers. As summarized below and in Figure 26, sizable disparities exist in wages among industries, impacting the ability of lower paid workers to afford housing in the same market as higher paid workers. In addition, the data show sizable increases in employment in high wage sectors, creating upward pressure on prices and rents.

Most recent available data on wages is for the second quarter of 2017. At that time, the average annual wage across all sectors for the region was $68,538. Breaking that down by different industry types (sectors)[16] shows that some sectors pay, on average, much higher wages than others.

Since the second quarter of 2010, the average annual wage across all sectors for the region increased by $15,625 or 30%, not adjusted for inflation. Wages in King County grew at a substantially faster rate (34%) compared to the region's other counties: Kitsap (16%); Pierce (16%); and Snohomish (20%). The sectors with the fastest growing wages include: retail trade (110%) which includes online retailers, information (51%), and other services (50%).

While not shown in Figure 26, analysis of wage data by location can help to align housing supply with need. Data on wages associated with different types of jobs concentrated in different parts of the region can make clear the connection between the people who work in communities across the region and their ability to afford housing. Locational wage data can help to plan for housing within commute distance of the region's job centers that meets the affordability needs of the people who work there. PSRC will continue to explore locational wage data.

[15] Data on wage and income are not directly comparable as median household income often represents the earning of more than one job.

[16] Sectors determined by two-digit NAICS code. The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

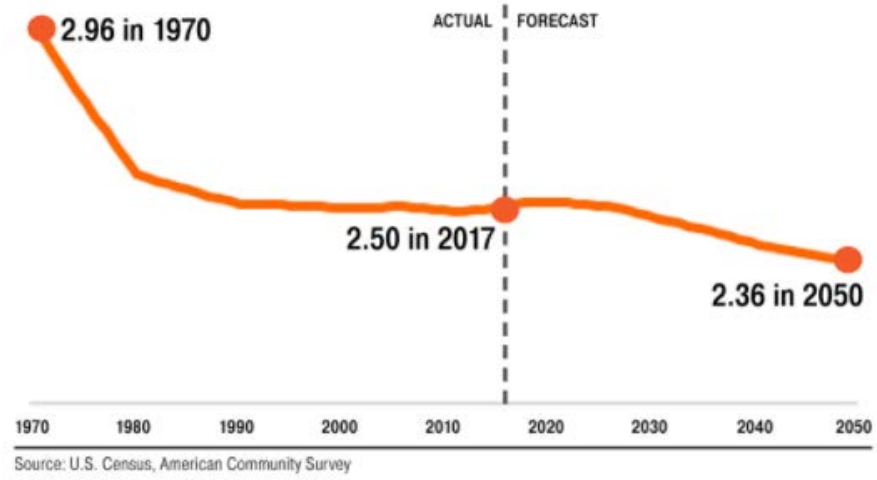
Figure 26: Annual Average Wage by Sector, 2010 and 2017

Source: ESD

6.4 HOUSEHOLD SIZE AND FORMATION

The region is projected to add 830,000 households between 2018 and 2050. Average household size is forecasted to decrease to 2.36 people by the year 2050, largely due to the aging of the Baby Boomer generation (Figure 27). Fewer persons per household means greater demand for housing.

Figure 9: Persons-per-Household (PPH) Ratio



Source: U.S. Census, ACS

The majority of households in King and Kitsap counties are comprised of one to two people, and close to one-third of households in King County are people living alone. Snohomish County has the largest percentage of larger households, with nearly one-quarter that are 4+ person households (Figure 28).

Figure 28: Household Size

Source: ACS

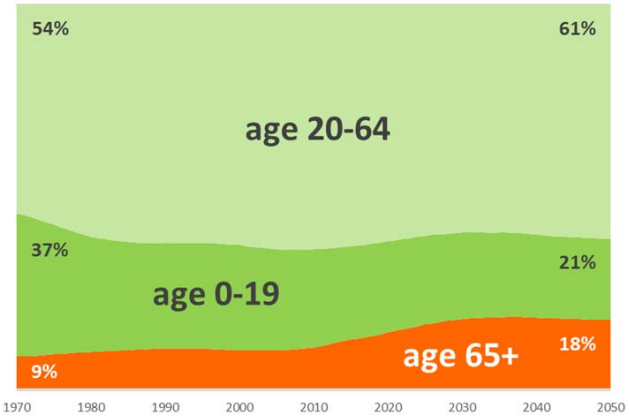
6.5 GENERATIONAL NEEDS AND PREFERENCES

The region is becoming older and more diverse. Changing demographics affect housing demand. Seniors as a share of the region's total population are forecasted to grow from 11% in 2010 to 18% in 2050 (Figure 29). The growing number of seniors will increase the need to improve the accessibility of the housing stock and deliver in-home supportive services.

At the same time, the number of Millennial headed households is expected to triple nationally by 2035. However, the number of people forming new households for ages 18-24 and 25-34 are

especially low in less affordable markets such as the central Puget Sound, so the region may not see an increase of this scale.[17]

Figure 29: Regional Population by Age



Source: ACS, PSRC

As the region becomes more diverse[18], with more minority households and first and second-generation immigrant households, the increased diversity of Millennials and the working age cohort may create demand for multigenerational living.

6.6 JOBS-HOUSING BALANCE

Jobs-housing balance is a planning concept which advocates that housing and employment be close together to reduce the length of commute travel or vehicle trips altogether. A lack of housing, especially affordable housing close to job centers, will push demand for affordable homes to more distant areas, increasing commute times.

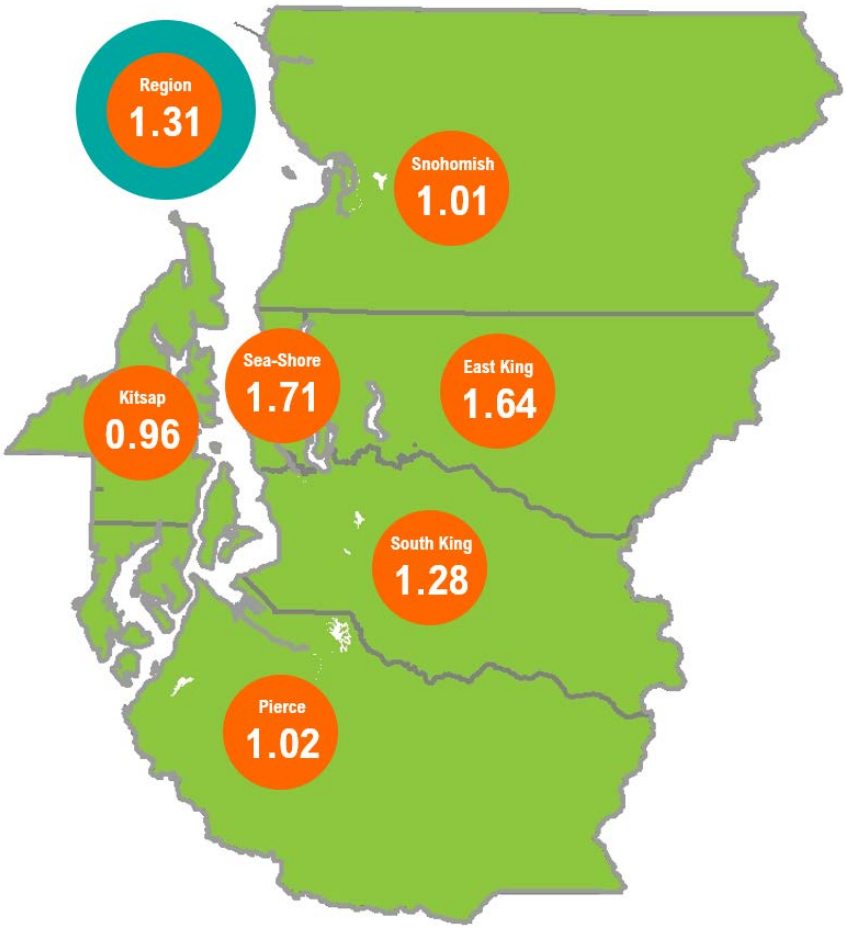
A jobs-housing ratio compares the number of jobs in relation to the number of housing units in a given area. A "balance" of jobs and housing is attained where a community or market area attains roughly the regional average ratio. The regional jobs-housing ratio in 2016 was 1.31. This is roughly equivalent to the regional ratio in 2008 (1.32), which was the "high water" mark for the last economic upcycle. It's considerably higher than it was in 2010/2011 (1.20/1.21), which was the "low water" point during the Great Recession

Figure 30 highlights variation in jobs-housing ratio among major subareas of the region. Sea-Shore (1.71) and East King (1.64) have the highest ratios of the six subareas, indicating they are relatively employment-rich areas. Meanwhile the ratios for Kitsap (0.96), Snohomish (1.01) and Pierce (1.02) are lower, indicating that they are relatively housing rich. South King (1.28) is roughly equivalent to the regional average.

[17] Joint Center for Housing Studies of Harvard University. (2017). The State of the Nation's Housing 2017. Available http://www.jchs.harvard.edu/research/state_nations_housing.

[18] People of color today comprise 35% of the region's total population, more than double the share in 1990 (15%). The region has been diversifying at a far faster pace than the nation as a whole.

Figure 30: Subarea Jobs-Housing Ratios, 2016



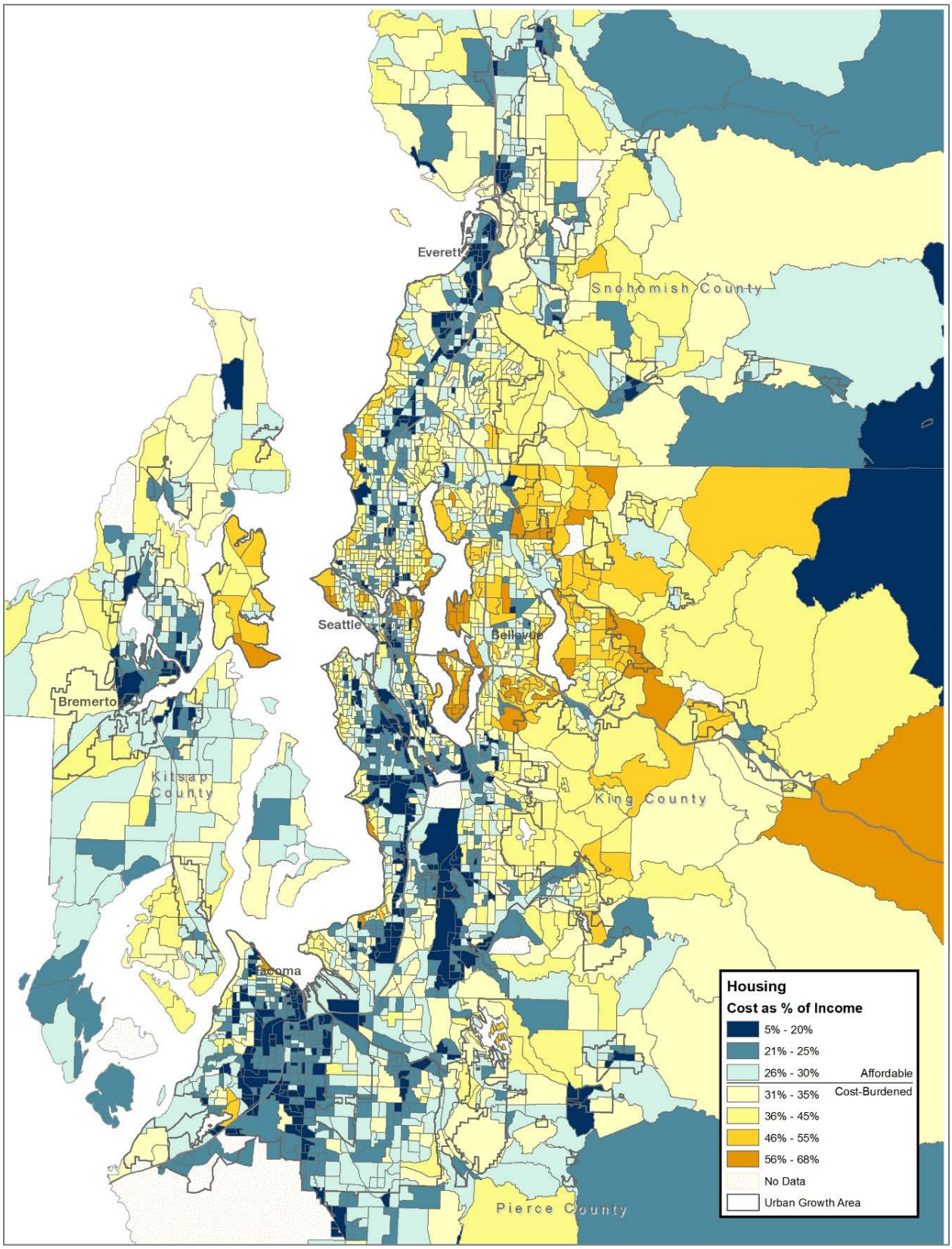
Source: OFM, PSRC

6.7 HOUSING AND TRANSPORTATION

Since 1984, the Bureau of Labor Statistics has reported that transportation costs are the second largest expense for households after housing.[19] A more complete understanding of household cost burden looks at housing and transportation costs together (H+T). A household is considered cost burdened if their combined housing and transportation costs exceed 45% of their income. Factoring in the recommended 30% of income spent on housing, the formula allows for 15% of a household's income to be spent on transportation costs. The maps in Figures 31 and 32 show estimated housing and housing plus transportation affordability for a household earning the area median income.

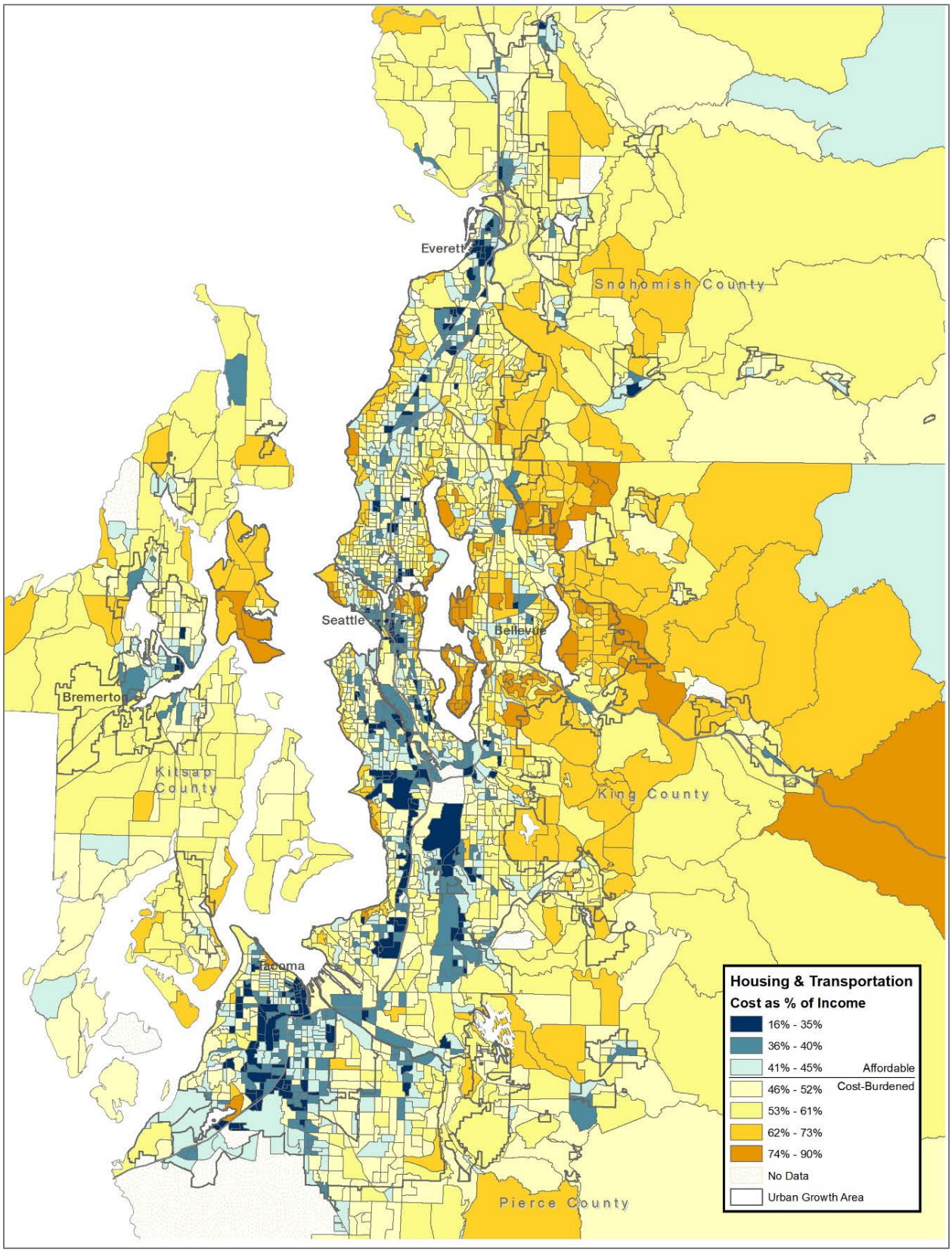
[19] Bernstein, Scott, Carrie Makarewicz, and Kevin McCarty. (2005) *Driven to Spend.* Available at: http://www.busadvocates.org/articles/householdcosts/Driven_to_Spend_Report.pdf

Figure 31: Housing Costs as Percentage of Income



Source: Center for Neighborhood Technology

Figure 32: Housing and Transportation Costs as Percentage of Income



Source: Center for Neighborhood Technology

For the central Puget Sound region, the typical household spends 50% of its income on transportation and housing. Housing accounts for 31% of these expenses with the remaining 19% attributed to transportation costs.[20] This far exceeds the suggested 45 percent of income criterion and demonstrates that many households in the region are cost burdened not only by housing costs, but also by transportation.

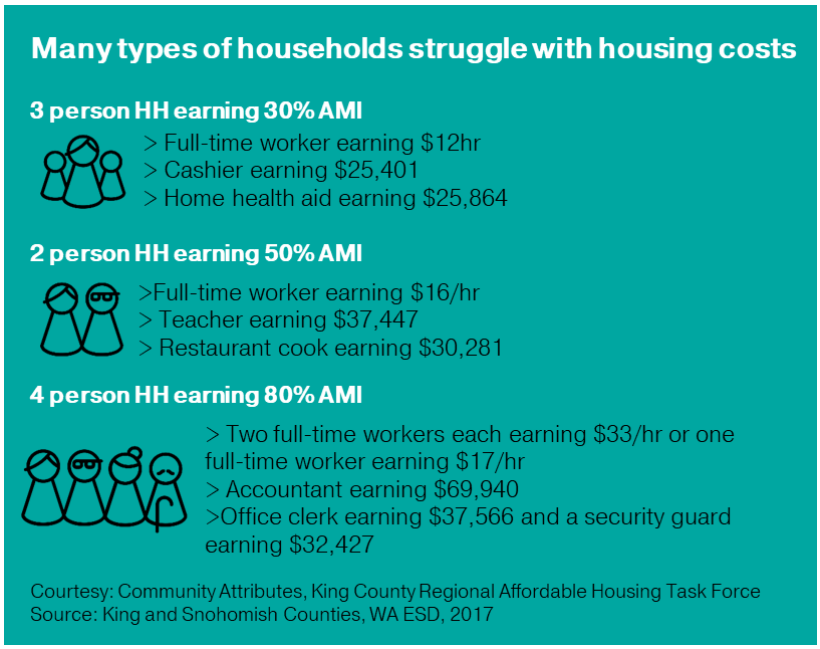
Housing and transportation costs are generally lower along the I-5 corridor, in areas well-served by transit, and in sections of south King County, Tacoma, and areas of western Pierce County. Costs are higher in east King County, Bainbridge Island, and more rural areas farther from major transportation corridors.

As housing costs rise, many households are forced to move to less expensive housing that is often farther from jobs, services, and their established communities. Thus, while moving farther afield may lower housing costs, the added transportation costs (fuel, time, need for additional vehicles, etc.) may not lower costs overall.

7 HOUSING AFFORDABILITY

Affordable housing[21] is commonly defined as housing costs not exceeding 30% of household income. Paying more than 30% of income on housing costs reduces a household's budget available for other basic necessities.

With increasing incomes and a surge in demand for housing, the region is experiencing an affordability crisis not seen since the Second World War.[22] Many middle and lower income households struggle to find housing that fits their income in an increasingly competitive and expensive housing market. As affordable housing options become scarce, households are forced to move farther from their jobs and communities, resulting in increased traffic congestion, and fragmentation of communities.



[20] Center for Neighborhood Technology. (2017) *H+T Fact Sheet MPO: Puget Sound Regional Council.* Available at: (http://htaindex.cnt.org/fact-sheets/?lat=47.6062095&lng=-122.3320708&focus=mpo&gid=172#fs

[21] This paper refers to "affordable housing" as any housing that meet the threshold of not exceeding 30% of a household's income. Housing that is deemed affordable because of subsidies or income/rent restrictions is expressly noted.

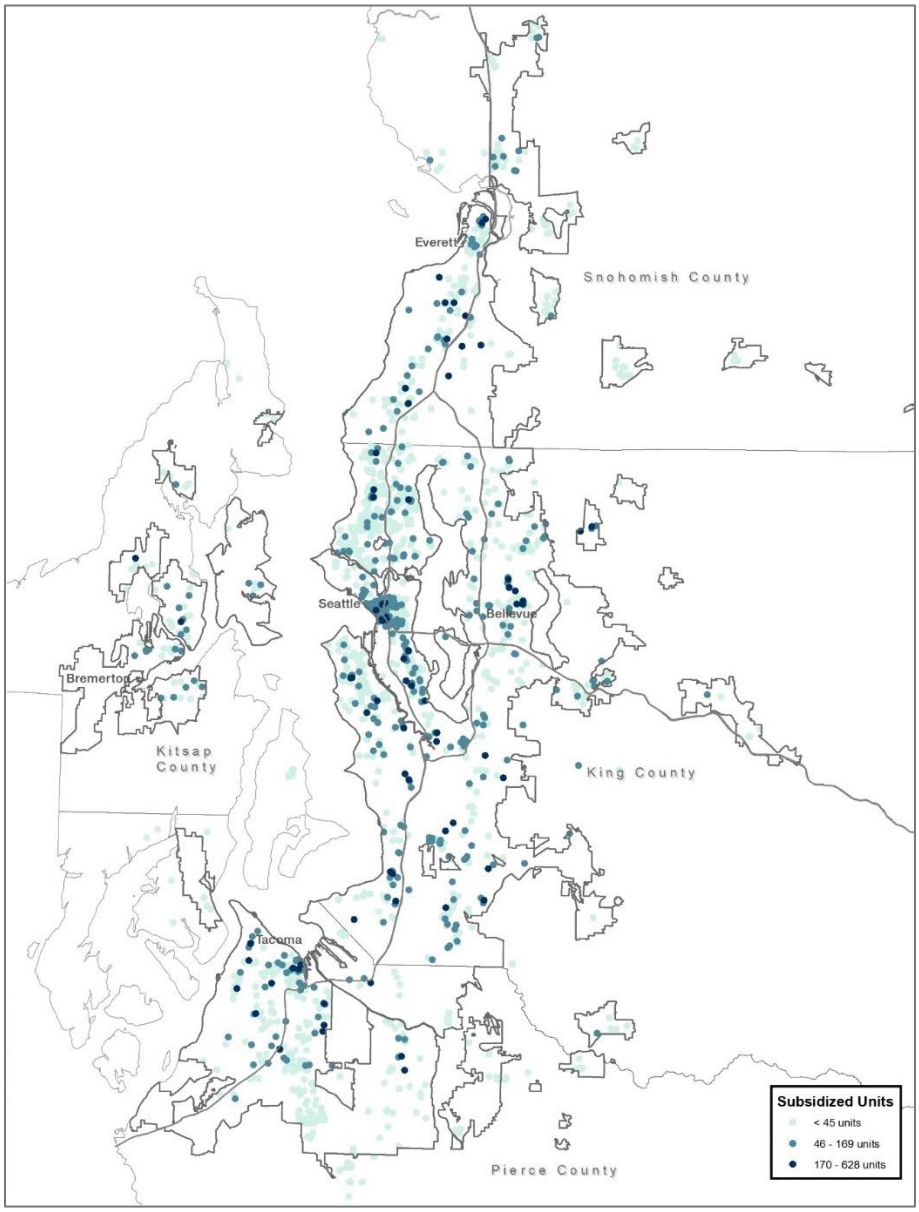
[22] City of Seattle. (2015) Housing Affordability and Livability Agenda. Available at http://murray.seattle.gov/wp-content/uploads/2015/07/HALA_Report_2015.pdf

7.1 SUBSIDIZED HOUSING

Homes provided by the private market are an integral part of housing in the region. However, the private market alone cannot provide housing for all residents. Subsidized units – made possible with federal, state, and local funding and incentives that ensure long-term rent or income restrictions – provide affordable housing that the private market cannot. Rent restrictions are typically set at 30% of the household's income, meaning that, ideally, no one living in a subsidized unit is cost burdened. Subsidized units are typically targeted to meet the needs of low and very low-income households as well as who need specific services.

There are subsidized units located throughout the region, with the majority concentrated in the region's five Metro cities: Seattle, Bellevue, Tacoma, Everett, and Bremerton.

Figure 33: Subsidized Housing Units, 2010



Source: PSRC Regional Subsidized Housing Database

As summarized in Figure 34, a recent regional inventory of subsidized units tallied nearly 110,000 across the four counties.

Figure 34: Regional Subsidized Housing Inventory, 2014[23]

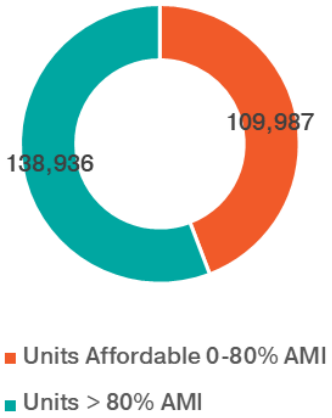
	Region Total
Number of Projects	2,356
Total Units	109,769
Total Units Affordable to HH Earning Less than 30% AMI	29,137
Total Units Affordable to HH Earning Between 31%-51% AMI	24,285
Total Units Affordable to HH Earning Between 51%-80% AMI	27,062
Total Units Affordable to HH Earning Between 81%-100% AMI	1,410
Total Studio and 1 Bedrooms	39,940
Total 2 Bedrooms or more	34,543

Source: PSRC Regional Subsidized Housing Database, 2014

7.2 MARKET RATE AFFORDABLE RENTAL UNITS

Many lower cost rental units in the private market provide "naturally occurring" affordable housing. These units are often older, in smaller developments, and located farther from jobs and services. For the sake of this analysis, a market rate unit that is affordable for a household earning 80% AMI or less is considered affordable[24]. Of the market rate multifamily rental units surveyed by Dupre + Scott Apartment Advisors in the spring of 2017[25], 44% of these units are affordable to households earning 80% AMI or less (Figure 35).

Figure 35: Market Rate Multifamily Rental Units Surveyed by Dupre + Scott



Source: Dupre + Scott

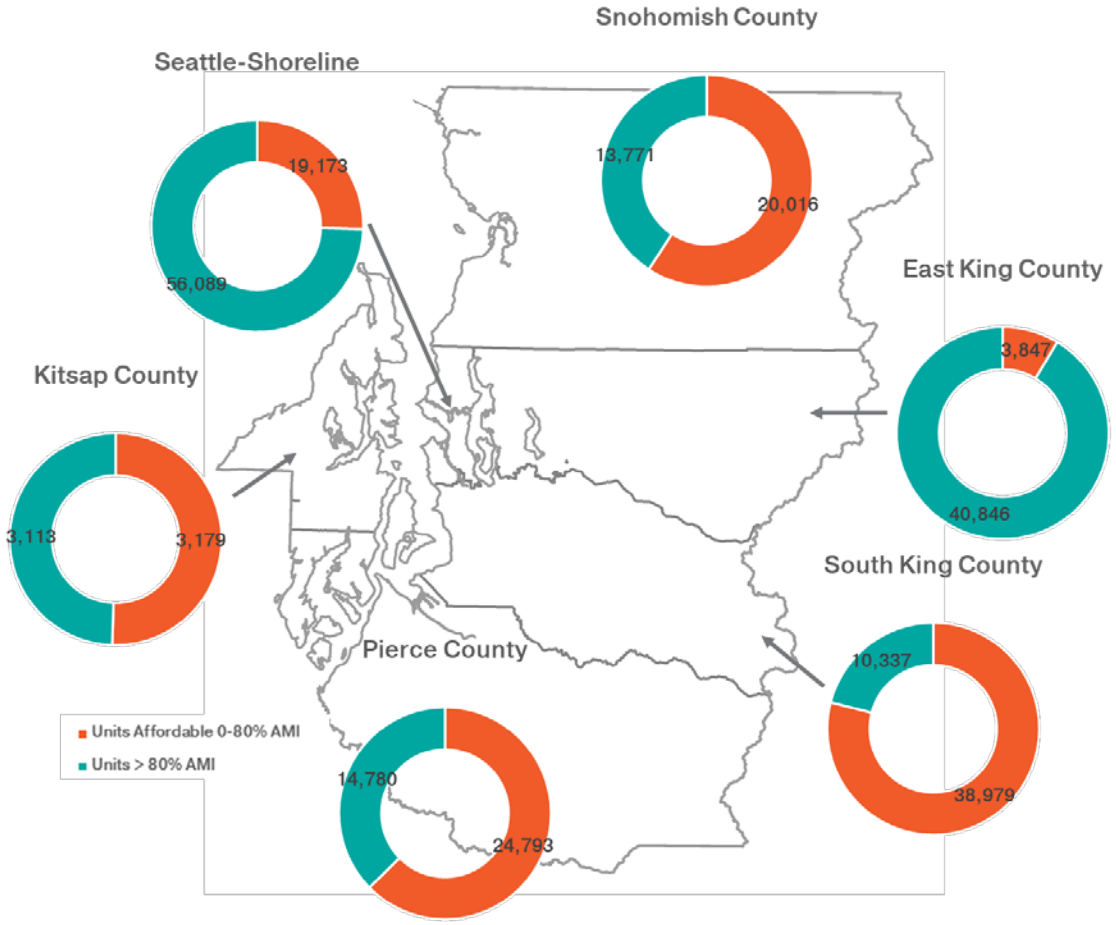
[23] The subsidized housing subtotals do not equal the total number of units due to missing information on unit size and affordability for some records in the database.

[24] Affordable monthly rent for a household at 80% AMI is $1783 in King County; $1390 in Kitsap County; $1305 in Pierce County; and $1612 in Snohomish County.

[25] Dupre + Scott surveys rent in occupied "market rate" apartments, not retirement, rental condos, or tax credit/subsidized properties catering to those earning 60% or less of median income. Also excluded are micro units; however, Small Efficiency Development Units (SEDUs) are included when they have a sink in both the kitchen and bathroom.

There is substantial variation in the amount of naturally occurring affordable rental units across the region, as shown in Figure 36. Most multifamily rental units in South King County (79%) are naturally occurring affordable housing. East King County has the smallest percentage of naturally occurring affordable rental units with less than 9% of market rate rental units affordable to households earning 80% AMI or less.

Figure 36: Market Rate Multifamily Rental Units by County, 2017



Source: Dupre + Scott

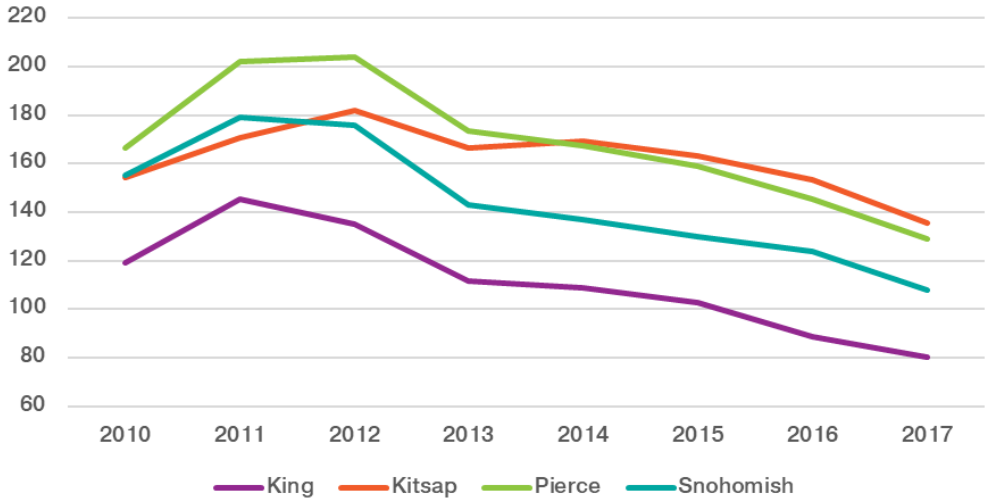
The amount of naturally occurring affordable housing can change very quickly as the lower rents are not a requirement, but rather a reflection of the market and building conditions. As properties redevelop and neighborhoods become more attractive to higher income households, naturally occurring affordable units become more expensive through rent hikes or are often replaced with higher priced rentals.

7.3 HOME OWNERSHIP

Homeownership opportunities are becoming less accessible to middle and lower income households. The Washington Center for Real Estate Research maintains a Housing Affordability Index (HAI) to track, at the county-level, the affordability of the median priced detached single-family home for the typical family earning median family income (HAMFI). An index of 100 indicates

balance between income and home prices; higher indices indicate greater affordability, and lower indices indicate less affordability. Quarterly indices indicate that affordability has been decreasing across all four counties. King County has been below the 100 threshold over the last two years, while the other three counties have remained above (Figure 37).

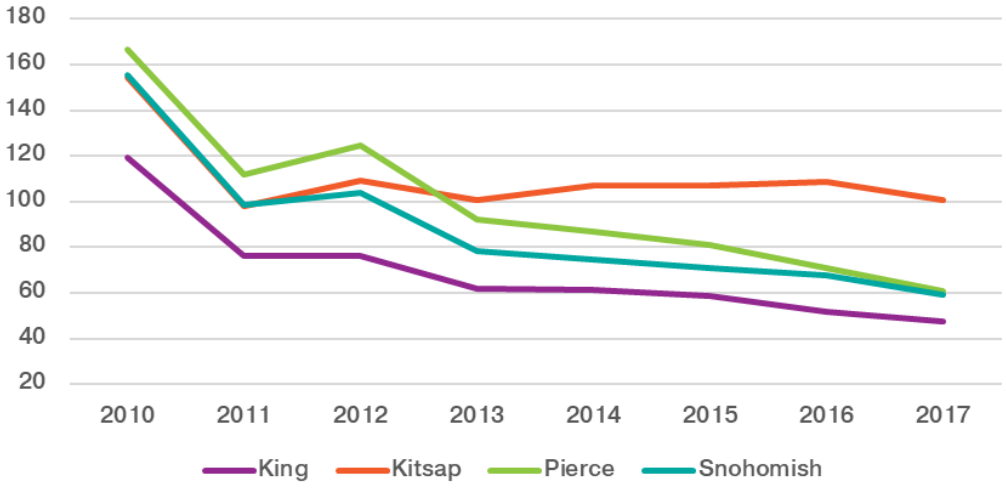
Figure 37: Housing Affordability Index



Source: WCRER

The First Time Buyer Housing Affordability Index[26] shows King, Pierce and Snohomish counties substantially below the "balance" threshold, and Kitsap right at 100. The lower index numbers in Figure 38 highlight the increasing difficulty for prospective first-time buyers to own a home.

Figure 38: Housing Affordability Index - First Time Buyer



Source: WCRER

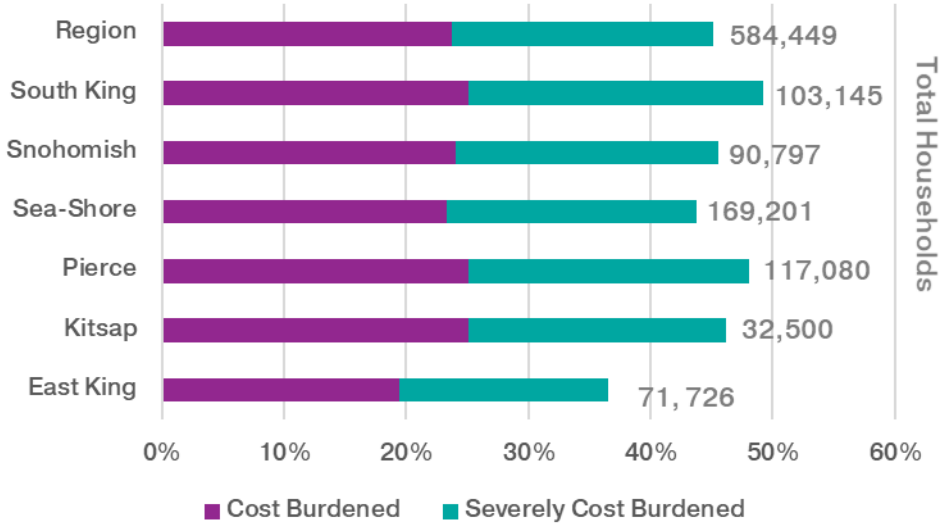
[26] The first-time buyers index assumes a household earning 70% of median household income, home at 85% median price, lower down payment assumption and additional cost for mortgage insurance.

7.4 COST BURDEN

A household is considered cost burdened if it pays more than 30% of its income on housing. This includes rent or mortgage payments, and utilities. A household is considered severely cost burdened if it pays more than 50% of its income on housing. Cost burden is a relative metric; a high-income cost burdened home owner is most likely in different financial position than a low-income cost burdened renter as lower-income individuals have less disposable income to manage changing housing costs and cover other household expenses.

Across the region, about 30% of homeowners and 45% of renters are cost burdened or severely cost burdened. Generally, renters across the region experience higher levels of cost burden than home owners. Close to half of all renters in South King County and Pierce County are cost burdened (Figure 39).

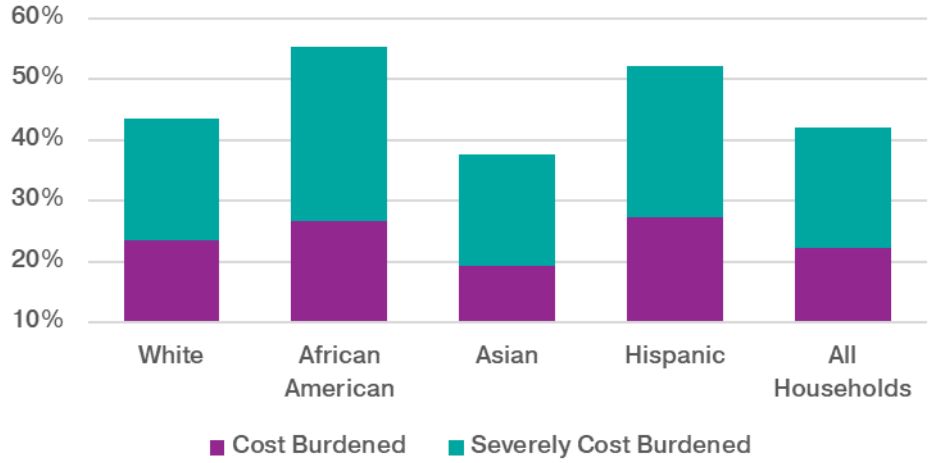
Figure 39: Cost Burdened Renters, 2014



Source: CHAS

Cost burden varies by the race/ethnicity of households, as highlighted in Figure 40. Overall, African American and Hispanic households are more likely to be cost burdened, regardless of housing tenure.

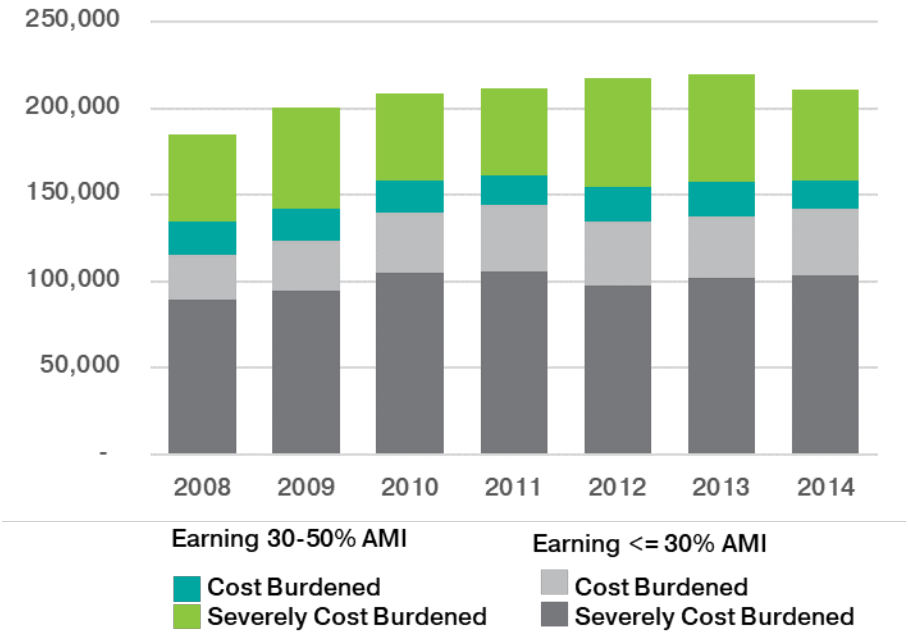
Figure 40: Cost Burdened Renters by Race/Ethnicity, 2014



Source: CHAS

The number of low-income cost burdened households is increasing (Figure 41). More than 100,000 low-income renters pay more than 50% of their income on housing. These households are often the most at risk to lose their housing and experience homelessness. National research shows a connection between rent increases and homelessness; a $100 increase in rent is associated with an increase in homelessness of between 6% and 32%.[27]

Figure 41: Low-Income Cost-burdened Renters



Source: US Census, PUMS

[27] Housing Development Consortium. (2018). https://www.housingconsortium.org/

7.5 DISPLACEMENT

Displacement occurs when housing or neighborhood conditions force residents to move. Displacement can be physical, when building conditions deteriorate – or economic, as costs rise. Communities of color and renter neighborhoods are at a higher risk of displacement. [28]

Gentrification is the influx of capital and higher-income, more highly-educated residents into lower income neighborhoods. Gentrification may not precede displacement although it is often assumed to be a precursor. Depending on the local and regional context, displacement may precede gentrification or the two may occur simultaneously.[29] Several key factors drive gentrification and displacement: proximity to rail stations, jobs centers, historic housing stock, and location in a strong real estate market. Gentrification and displacement are regional issues as they are inherently linked to shifts in the regional housing and job market.[30]

Changes in neighborhood characteristics can help to identify areas where displacement may be occurring. Figures 42 and 43 show two such factors: the change in percentage of white non-Hispanic residents and the change in median household income at the Census Tract level[31]. Tracts that became more White and saw an increase in household income may be experiencing displacement as lower-income residents of color are forced to move as local market conditions change. Areas with documented displacement, including the Central District in Seattle, and the Hilltop neighborhood in Tacoma both saw an increase in White residents and higher median household income, indicating a change in the demographics of the residents who can afford to live in these neighborhoods.

This early work paints only a partial picture and does not represent the spectrum of experiences of lower-income communities of color and how they are affected by growth and growing gaps in wealth in the region.

---

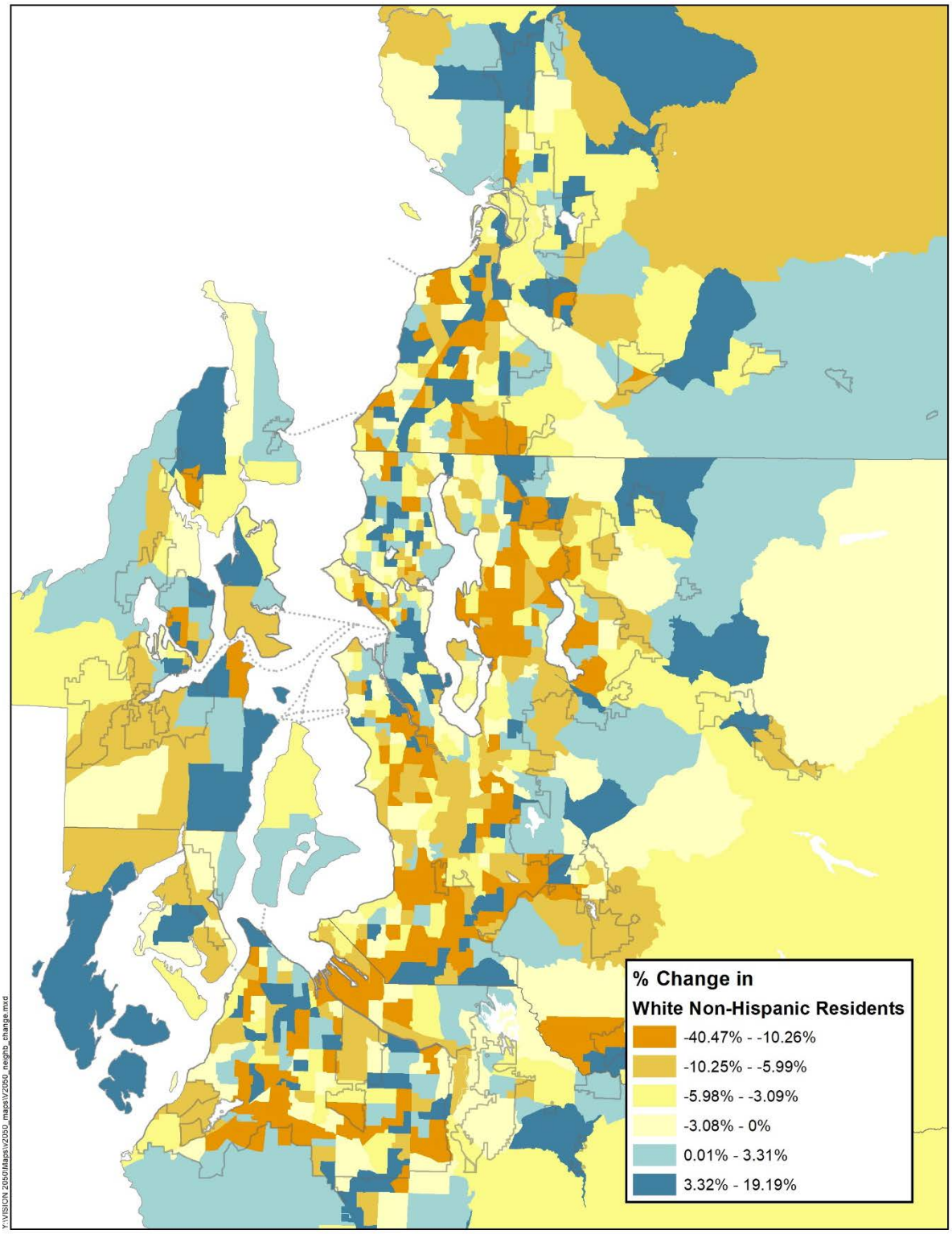
[28] University of California Berkeley. (2015). Urban Displacement Project. Available at http://www.urbandisplacement.org/sites/default/files/images/urban_displacement_project_-_executive_summary.pdf

[29] Ibid.

[30] Ibid.

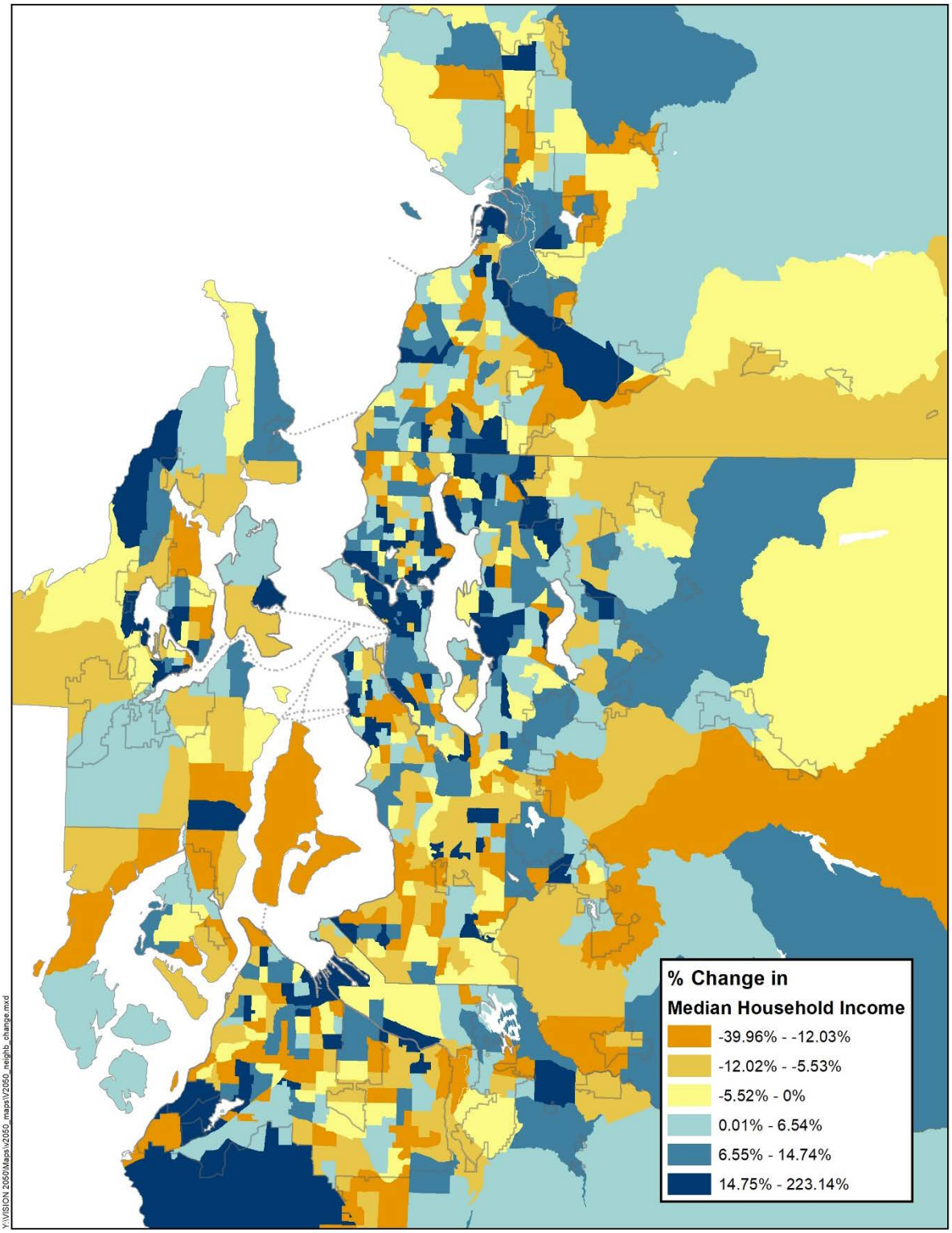
[31] The neighborhood change maps use 5-year estimates from the American Community Survey (ACS) mapped at the census tract level. The two periods used to evaluate changes are 2006-2010 and 2012-2016. These multi-year estimates do not represent what was going on in any particular year in the period. Rather, they are average values over the full time period. As such, the 2006-2010 5-year estimates are averages over a period that includes both pre- and post-recession years. Similarly, the 2012-2016 estimates are averages that span the beginning of the economic recovery as well as the current boom.

Figure 42: Percent Change in White, Non-Hispanic Residents



Source: ACS

Figure 43: Percent Change in Median Household Income



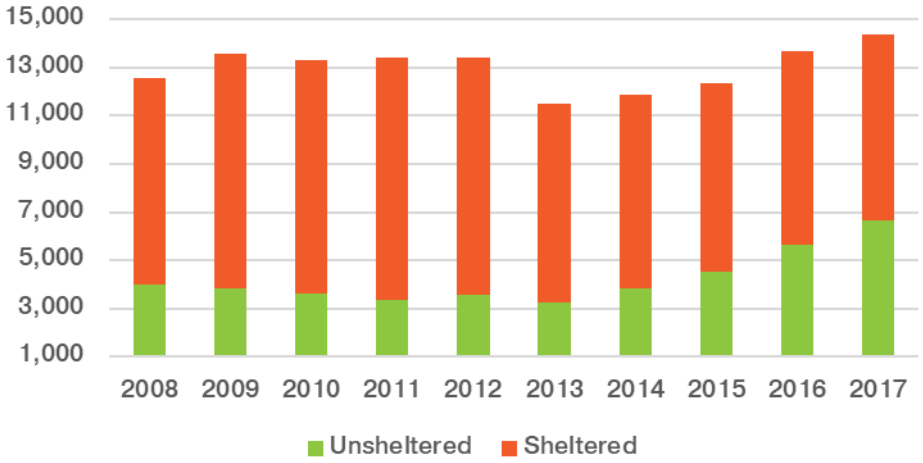
Source: ACS

7.6 HOMELESSNESS

Once thought of as an inner-city issue, homelessness is a concern for every central Puget Sound community, small and large, urban and suburban. While housing costs are one of myriad reasons people experience homelessness, there is a close correlation between the growing number of people experiencing homelessness with rising housing costs.[32]

The annual Point-in-Time Count is a blitz count of sheltered and unsheltered people experiencing homelessness on one night[33]. Since 2008, the number of people without shelter increased 18%, driven by the number of unsheltered people nearly doubling in Pierce and King counties.

Figure 44: People Experiencing Homelessness



Source: Point in Time Count: King County, Kitsap County, Pierce County, Snohomish County

7.7 HOUSING NEED

PSRC's recent draft forecast anticipates the region will add about 1.8 million more people by 2050. That growth will result in about 830,000 new households. While most current residents have been able to rent or purchase a home, many are living in homes that are beyond their financial means or do not meet needs, such as those that are too small for their family size or lack accommodation for aging residents. A significant challenge facing the region is to produce enough new housing units as the population grows, and to provide more affordable housing that matches the needs of current residents.

Future household incomes cannot be accurately predicted but are likely to be similar to those today. Today, 31% of the region's households pay at least 30% of their income towards housing, and 60% of these cost-burdened households are moderate to low-income. In the future, demand by lower income households is anticipated to be similar to today, with 27% of households very low income and 45% low income.[34]

---

[32] Glynn, Chris, and Emily B. Fox. (2017). *Dynamics of homelessness in urban America*. Available https://arxiv.org/abs/1707.09380.

[33] Blitz count data is somewhat volatile as the geography and ability to county people changes from year to year. Additionally, the collection methodology has changed since 2008

[34] 2016 ACS 1-YEAR PUMS.

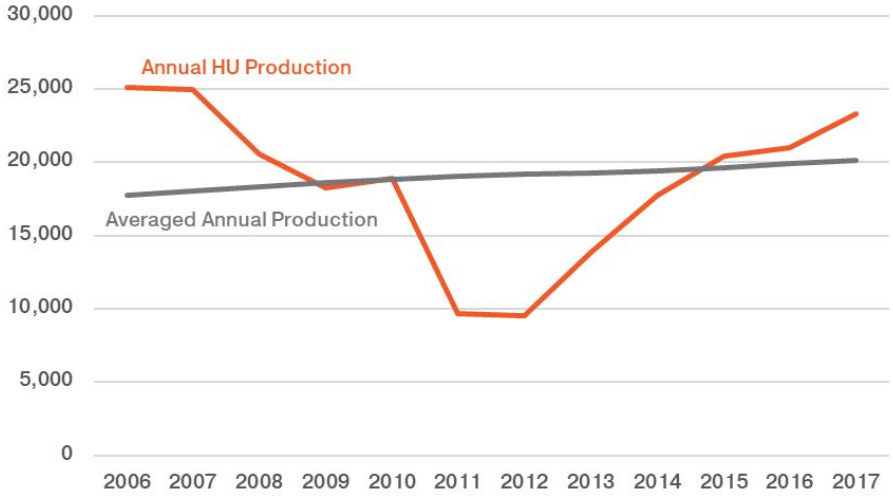
Applying these shares to the future needs of 830,000 additional households in the region means that the region needs to house more than 370,000 households at 80% or less of area median income by 2050 (Figure 45).

Figure 45: Anticipated Households Growth by Income Group

Source: ACS, PUMS

Assuming a constant rate of growth of 1.22%, housing these new residents would require the region to produce about 20,500 housing units in 2018 and growing to 30,300 units per year in 2050. In 2017, approximately 23,300 housing units were produced, exceeding the annual production need. However, this current increase in production follows a long, slow economic recovery when housing production did not keep up with demand. To serve different household incomes, the region should be producing about 9,225 a year that are accessible to those earning 80% of the area median income or less. Of that amount, more than 5,500 new housing units are needed each year for very low-income households earning less than 50% of the area median income.

Figure 46: Housing Production vs. Average Annual Production

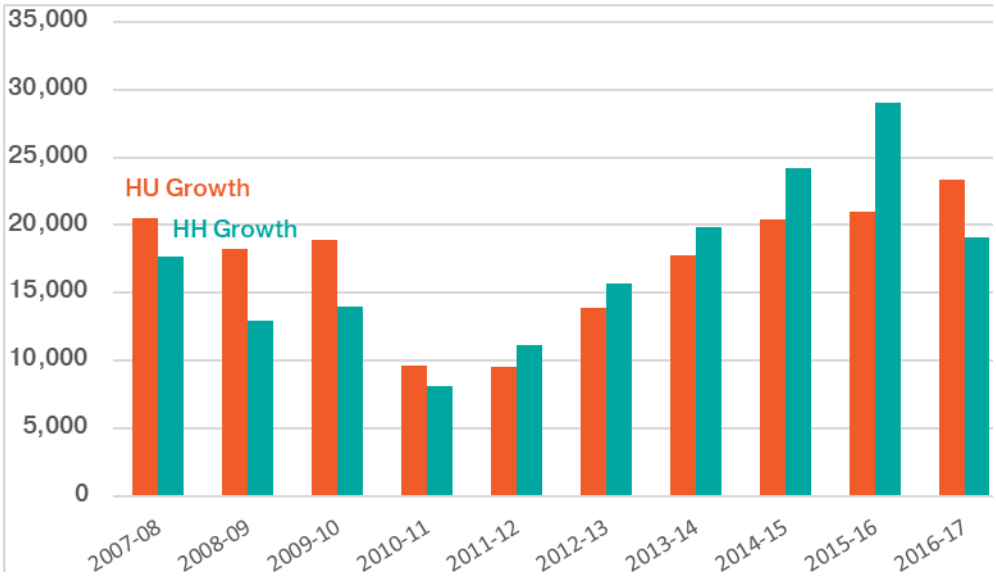


Source: OFM

While the current production rate is higher than the average annual need, the market has yet to make up for the slow growth in years directly following the recession. Those years resulted in the market producing about 26,000 units fewer than average over the period from 2009-2014, as highlighted in Figure 46. Increased production in recent years made up about 5,000 units of that gap period, but current production levels will require as many as seven more years to make up for the impact of the recession.

Meanwhile, strong employment growth has resulted in household growth that has accelerated more quickly than housing unit production, causing shrinking vacancies, quicker sales, and a tighter housing market (Figure 47). These factors lead to pressure on housing prices and rents. While the current annual housing production rate, if maintained, is expected to eventually catch up, it is currently not producing housing as fast as new employees are being hired.

Figure 47: Housing Production + Household Growth 2007-2017



Source: OFM

Over the long term, providing a variety of housing options affordable to a range of incomes has the potential to alleviate cost burden, specifically for low-income households, and provide greater opportunities for households to live in homes that meet their needs, now and in the future.

8 HOUSING IN VISION 2040

Inclusion of a separate chapter on housing was an important change in VISION 2040. Previously, VISION 2020 had included a few housing-related policies within the broader context of land use and growth patterns, but did not comprehensively address housing issues in a regional context.

VISION 2040 encourages housing production that meets existing and future needs. It places a major emphasis on the location of housing and promotes fair and equal access to housing. VISION 2040 calls for preserving and expanding housing affordability, incorporating quality and

environmentally friendly design in homebuilding, and offering healthy and safe home choices for all the region's residents.

The multicounty planning policies (MPPs) address housing diversity and affordability, jobs-housing balance, and best practices for residential development. VISION 2040 encourages the construction, preservation, and ownership of a variety of homes – including for special needs and middle- to low-income households. The regional plan recognizes the importance of having employment, services, and transportation options close to home. Increasing housing choices and opportunities in regional growth centers and employment centers aims to improve efficiency and mobility and strengthen the region's economy.

VISION 2040 includes two actions to support housing goals and policies: developing a regional housing strategy, including a regional needs assessment, and establishing a regional housing program to support that strategy. Taken together, these actions were envisioned as core elements of a coordinated regional approach to housing with PSRC complementing and adding value to local housing efforts. As described below, significant progress has been made since 2008 on various elements of the work associated with the economic development work plan, tools for equitable transit-oriented development, and technical assistance for local GMA plan updates. However, during the recession and early years of recovery, housing affordability became a lower priority for regional action. The VISION 2050 update is an opportunity, particularly in the housing actions, to renew efforts to bring existing and new work together around a sustained regional strategy for housing and housing affordability.

Regional Housing Strategy: H-Action-1 The Puget Sound Regional Council, together with its member jurisdictions, housing interest groups, and housing professionals, will develop a comprehensive regional housing strategy. The housing strategy will provide the framework for a regional housing program (see H-Action-2, below) and shall include the following components:

1. A regional housing needs assessment
2. Strategies to promote and/or address: housing diversity, housing affordability, special needs housing, centers and workforce housing, innovative techniques, and best local housing planning practices
3. Coordination with other regional and local housing efforts
    - Short-term / H-1 through 9
    - Results and Products: regional housing strategy

Soon after the adoption of VISION 2040, PSRC engaged regional partners in housing strategy work spearheaded by the Prosperity Partnership. In 2008, the Regional Housing Strategy Working Group of the Prosperity Partnership proposed a work plan for a Housing Education and Technical Assistance Program (HETAP), funded by a $86,000 federal grant to support local governments in their efforts to enact regulations and incentives promoting the production and preservation of affordable housing choices near job centers for workers at all wage levels. PSRC's Growth Management Policy Board adopted the HETAP work in 2008.

Central to the HETAP work program was the development of an online comprehensive housing toolkit of housing best practices and affordable housing tools, later titled the Housing Innovations Program (HIP). PSRC contracted with a consultant from 2009-11 to research effective affordable housing tools and resources, develop the online toolkit, conduct a survey of local governments' use

of housing tools, and develop a model housing element for comprehensive plans, as components of the HIP toolkit. PSRC staff worked in tandem with the consultant to develop the website content, and the website was launched in in 2010.

The next major body of work on housing occurred as part of the Growing Transit Communities (GTC) initiative, a three-year project (2011-2014) supported by a $5 million grant from HUD and other federal agencies. The Growing Transit Communities Strategy, which is a foundational document informing the VISION 2050 process, promotes equitable transit communities as a focal point for growth in the region that includes ample and affordable housing choices near transit. GTC included a study of existing housing conditions and needs in Sound Transit light rail corridors, engagement with a broad range of housing stakeholders, and development of innovative housing tools. More information on this work is described in the next section of this paper.

The Regional Transit-Oriented Development Advisory Committee continues to provide guidance and connect regional partners toward ongoing implementation of the GTC Strategy. In 2015, PSRC co-hosted a forum on the interrelationship between housing and education with the Housing Development Consortium of Seattle and King County and the Puget Sound Educational Service District.

Regional Housing Program: H-Action-2 The Puget Sound Regional Council will develop and implement a program to encourage best housing practices and stimulate local housing production, including affordable housing. The program will make planning for housing more transparent and shall include the following components:

1. Guidance for developing local housing targets (including affordable housing targets), model housing elements, and best housing practices
2. Regional guidelines for and the review of local housing elements, that call for documentation of strategies and implementation plans for meeting housing targets and goals, i.e., a "show your housing work" provision
3. Technical assistance to support local jurisdictions in developing effective housing strategies and programs
4. Collection and analysis of regional housing data as part of the region's monitoring program, including types and uses of housing
    - Short- to mid-term / H-1 through 9
    - Results and Products: (1) guidance and best practices, (2) regional review of local housing elements, (3) technical assistance for local governments, (4) monitoring of regional housing data and trends

PSRC produced a guidance paper on establishing housing targets for regional growth centers. While PSRC staff actively participated in development of growth targets in each of the counties, the regional council did not develop guidance on establishing housing targets more generally.

During the 2015/16 local comprehensive plan updates, PSRC had a housing planner on staff focused on review and comment of housing elements in comprehensive plans. PSRC staff also developed the Housing Element Guide, which provides data and policy resources to assess local housing needs and identify strategies to address needs. Staff provided technical assistance to local governments with questions on housing planning. PSRC has not had a housing planner on staff since 2015 to provide specialized technical assistance or coordinate regional housing efforts.

As part of the Growing Transit Communities Partnership, PSRC developed the Subsidized Housing Database, which identifies affordable housing units made possible with federal, state, and local funding sources, incentives, and subsidies. PSRC continues to collect residential building permit

records authorizing the construction, demolition, and any other gain or loss in housing units that occurs in a given year.

9 WORK SINCE 2008

Since VISION 2040 was adopted in 2008, housing planning and implementation has advanced through the ongoing work of state, regional, and local agencies and organizations. These efforts have yielded new tools and resources, promoted best practices, established community-based housing strategies, and coordinated efforts across multiple jurisdictions. Examples of significant housing initiatives, resources, reports, and policy changes are described below.

9.1 STATE

Housing Affordability Response Team Report (2017)

The Washington State Department of Commerce and the state Affordable Housing Advisory Board initiated a broad review of issues related to housing and housing affordability in the state with the formation of a Housing Affordability Response Team (HART) in 2017. As documented in a final report, the HART, an interdisciplinary team of housing development, construction, financing and planning experts, identified major challenges and potential solutions to increase the supply of affordable units, especially suitable for low- and moderate-income households. The group explored multiple factors affecting housing supply and cost, such as land use planning, regulations, and funding and financing. Recommendations included providing funds for local housing planning and analysis, community outreach and education, revising to development-related statutes and regulations to facilitate housing development, state and local funding for affordable housing, using surplus public lands for affordable housing, and ongoing collaboration.

Housing Guidebook

In addition to coordinating the HART effort, the Washington State Department of Commerce completed an updated guidebook on housing planning in 2014 to support periodic comprehensive plan updates.

Buildable Lands Statute Amendments (SB 5254)

In 2017, the Washington State Legislature passed SB 5254, amending the Buildable Lands requirements of the Growth Management Act (RCW 36.70A.215). SB 5254 adds new types of data and factors that counties and cities must address through a periodic evaluation to ensure sufficient capacity to accommodate housing demand. The statute also set in motion a process to update Buildable Lands Program guidelines to address the new requirements along with additional considerations that include evaluating how local zoning and land use regulations promote or hinder housing affordability and supply. This work is ongoing, with final agency guidance anticipated in 2019, ahead of the next round of local Buildable Lands reports due starting in 2021.

9.2 REGIONAL

Growing Transit Communities (2011 - 2014)

In 2011, PSRC led a coalition of regional partners in securing a $5 million federal Sustainable Communities Planning grant promoting thriving and equitable transit communities throughout the

region. The three-year work plan culminated in the adoption of the Growing Transit Communities Strategy in 2013 and the subsequent endorsement by over 40 local governments, public agencies, and private and non-profit organizations of a Growing Transit Communities Compact. The compact sets as a goal to "provide housing choices affordable to a full range of incomes near high-capacity transit," specifically to:

- "Use a full range of housing preservation tools to maintain the existing level of affordable housing within each transit community, and
- Use a full range of housing production tools and incentives to provide sufficient affordable housing choices for all economic and demographic groups within transit corridors, including new housing in the region's transit communities collectively that is proportional to region-wide need or greater to serve transit-dependent households."

To advance this goal, the Strategy recommends several regional and local tools and approaches that include:

- Assess current and future housing needs in transit communities
- Minimize displacement through preservation and replacement
- Direct housing resources to locations served by high quality transit
- Expand options for using value capture financing
- Make surplus public lands available for affordable housing
- Provide regulatory incentives for affordable housing

Another tool, establishing a property acquisition fund, was implemented as part of Growing Transit Communities. With seed funding from King County, A Regional Coalition for Housing (ARCH), City of Seattle, and the State of Washington, the Regional Equitable Development Initiative (REDI) fund blends public, foundation, and private capital to enable providers of affordable housing to secure increasingly costly development sites within key transit corridors.

Finally, the GTC grant also supported work by PSRC to produce a Fair Housing Equity Assessment (FHEA). The FHEA provides information and analysis on conditions within the region that have resulted in racial and income segregation and addresses potential policy, regulatory, and fair housing infrastructure approaches to improve fair housing conditions over time.

Sound Transit and Equitable Transit-Oriented Development

In 2015 the state Legislature adopted legislation directing Sound Transit to advance equitable transit oriented development (TOD) goals through system planning, surplus land disposition, and financial contributions to support affordable housing in transit station areas. Those statute changes were reflected in the Sound Transit 3 ballot measure and took effect with the measure's November 2016 passage. More recently, the agency updated its TOD policies to support implementation of these requirements.

In accordance with the new law and subject to certain exemptions, Sound Transit will offer a minimum of 80 percent of its surplus property that is suitable for development as housing for either transfer at no cost, sale, or long-term lease first to qualified entities that agree to develop affordable housing on the property, consistent with local land use and zoning laws. At least 80 percent of the

housing units constructed under this provision must be affordable to those earning 80 percent of area median income (AMI). Work is already underway toward developing more than 600 affordable units on surplus agency properties in Seattle's First Hill, Capitol Hill and Roosevelt neighborhoods.

In addition to surplus property disposition, the legislature also directed Sound Transit to "contribute at least four million dollars each year for five consecutive years beginning within three years of voter approval of the system plan to a revolving loan fund to support the development of affordable housing opportunities related to equitable transit-oriented development." The agency will address specific implementation of this requirement, which could include adding public capital to the REDI Fund or a similar financing tool, as it carries out its equitable TOD policies over the next couple of years.

9.3 COUNTY/SUBREGIONAL

King County Affordable Housing Task Force (2017 - 2018)

In 2017, King County convened a Regional Affordable Housing Task Force charged with making recommendations on strategies and actions toward meeting the need for affordable housing across King County. The task force is made up of county and city elected officials, supported by an advisory panel of housing and community development experts. For the past year, the task force has focused its work on education, research, and data analysis, in preparation for developing recommendations for consideration by the county council at the end of 2018.

The task force is focusing its work on identifying "actionable, sustainable, and regional" strategies to meet the needs of households, especially those earning less than 80% of AMI. Other primary objectives include promoting affordability in proximity to jobs, transit, and services, addressing inequitable access to housing based on race or income, and meeting the needs of a variety of household types, such as larger households, older residents, and people with disabilities. Finally, the task force seeks to identify and promote strategies that are regional and benefit from interjurisdictional coordination.

Local Governments Working Together

In 2013, Snohomish County, 13 of its cities, and the Housing Authority of Snohomish County joined together to establish the Alliance for Housing Affordability (AHA) as a forum for understanding housing challenges in the county and to address those challenges through shared resources and collaboration. AHA has provided staffing and technical assistance to member jurisdictions, including individualized housing profiles, guidance for updating comprehensive plan housing elements, and dashboards to monitor trends.

The South King Housing and Homelessness Partnership (SKHHP) was established in 2015 as a collaboration among stakeholders in South King County on issues related to affordable housing and homelessness. Among its membership is King County, the Renton and King County housing authorities, and six cities. The SKHHP provides support for actions related to the SKC Response to Homelessness through coordination and technical support.

These organizations are in addition to A Regional Coalition for Housing (ARCH), which is a long-standing collaborative effort among Eastside cities to preserve and increase the supply of housing

for low-and moderate-income households. Among other efforts, ARCH completed housing needs analyses for Eastside cities to support their comprehensive plan updates.

County Housing Consortia

Coordination around affordable housing is further supported by the work of consortia—whose membership includes housing providers, lenders, advocacy organizations, and public agencies—that are active in various counties. These groups generally provide data and technical assistance, education on best practices, and legislative advocacy. They include the Housing Development Consortium (King County), the Housing Consortium of Everett and Snohomish County, and the Tacoma/Pierce County Affordable Housing Consortium. Recent notable achievements include development by the Snohomish consortium of an updated database comprising an inventory of income-restricted homes countywide and the Housing Snohomish County Project Report with recommendations in the areas of policy and funding.

9.4 LOCAL

Comprehensive Plan Updates and Housing Strategies

Jurisdictions across the four-county region recently completed state-required major updates to their comprehensive plans, including updates to the land use plan that accommodates future housing development to meet growth needs and updates to the housing element with policies that promote housing that is affordable to the full range of income levels. PSRC commented on the housing related provisions in draft plans and identified recommended future work through its review and certification process.

Many of the local plan updates included improvements to the data, policies, and implementation actions on housing. With guidance from PSRC and other organizations, housing needs analyses used new data and more comprehensive approaches to identifying current and future demand and affordability gaps. Amended policies supported the use of new and expanded tools, such as regulatory incentives, Multifamily Tax Exemption, and zoning for affordable types of housing. Following on the comprehensive plan updates, some jurisdictions have moved quickly to developing action strategies for housing.

City of Seattle: HALA and MHA

In 2014, the City of Seattle convened a group of housing experts, for-profit and non-profit developers, and resident renters and homeowners to develop a broad agenda for increasing the supply of affordable housing in the city. The Housing Affordability and Livability Agenda (HALA) Report (2015) contains 65 recommendations with a goal of creating 50,000 units of housing—20,000 units of affordable housing and 30,000 new units of market rate housing—in the next 10 years. Action areas include providing more resources from an array of sources for affordable housing, increasing the supply and diversity of market rate housing throughout the city, providing support for communities, including vulnerable renters and marginalized communities, and innovative approaches to cutting the cost of housing development and increasing access to housing options.

Since 2015, the city has begun to implement key HALA recommendations, including an increased housing levy (see below) and heightened protections for vulnerable tenants. The city is also in the

process of implementing Mandatory Housing Affordability (MHA), wherein upzones paired with inclusionary requirements will require developers of new market rate commercial and residential projects to include affordable units or contribute to a fund to build those units off-site. To date, MHA has been implemented in six neighborhoods, and citywide MHA legislation is currently under review by the city council.

Funding

Jurisdictions can develop a local housing fund to provide a dedicated source of funding for affordable housing projects. In 2016, City of Seattle voters approved a renewal of the city's Housing Levy for $290 million, doubling the previous levy amount. Over a period of 7 years, the levy is expected to result in 2,150 new or preserved units affordable to low-income households. The levy also funds significant maintenance needs for 350 existing subsidized units. The levy provides funding for operations in existing buildings, helping to provide housing opportunities for households with the greatest needs, including the homeless. Levy loans will support acquisition and rehabilitation to preserve existing affordable units. The levy also includes support for homeownership and resources to assist homeless individuals and families.

10 HOUSING POLICIES & STRATEGIES

VISION 2040 includes actions for PSRC and goals and policies for planning at the regional and local level. The updated plan can identify key projects for PSRC, opportunities for regional collaboration, and guidance or requirements for local plans. VISION 2040 already includes several multicounty planning policies aimed at providing housing choices for all incomes. Data in the first section of this paper demonstrates the challenge of meeting this goal and the problem of providing affordable housing has become worse since 2008. What should the region do to address this challenge? What is already addressed through regional and local plans? What strategies and opportunities should VISION 2050 pursue? This section provides an overview of the types of policies and strategies available to provide a variety of housing choices at all levels of affordability.

10.1 HOUSING SUPPLY

Increasing the supply of housing of all types can help to relieve market pressures and accommodate growth for years to come. Tools and strategies to increase the overall housing supply include: plans and regulations that allow and encourage sufficient housing supply, especially by increasing residential capacity near transit and jobs; plans and zoning that accommodate multiple housing types to diversity the housing stock, provide more affordable options, and meet the needs of various household types; and provisions to make housing easier and faster to build.

Potential Housing Supply Tools
Rezone to increase allowed housing densities
Expand housing diversity – cottage housing, ADUs, multigenerational, etc.
Subarea/TOD planning that increases housing supply with access to employment
Encourage job growth near areas of housing supply
Technical support for local planning & housing initiatives
Reduce development restrictions / streamline regulations
Standardize regulations and processes across jurisdictions to make permitting more predictable
Align countywide housing targets to be consistent with housing needs

10.2 INCENTIVES FOR AFFORDABLE HOUSING

Incentives support affordable housing by leveraging market activity and by reducing the cost of developing affordable units for housing developers. Incentives fall into three broad categories: incentives for market rate developers to build affordable units; incentives that reduce the costs for developers of affordable units; and incentives and other supports for local government housing efforts, such as technical support.

Potential Incentives for Affordable Housing
Multifamily Tax Exemption
Use of publicly owned land
Density bonuses
Waive or reduce permit fees
Waive or reduce sewer connection charges
Align incentives with income levels and need
Reduced parking requirements
Mandatory inclusionary zoning
Development agreements
Technical support for local housing initiatives
Link regional funding to local plans for affordable housing

10.3 FUNDING AND FINANCING

Funding affordable housing is complicated. To increase the overall funding available, existing funding sources can be increased and expanded, new funding sources can be created, and stakeholders can help to better link private and public funding sources.

Potential Funding & Financing Tools
Federal low-income housing tax credit
Capital leveraging to allow non-profits to move faster
Local or countywide housing levy
New revenue source, such as document recording fee increase, housing demo fee, or condo conversion fee
Sales tax waiver on new affordable housing
In lieu fees from incentive/inclusionary programs
Philanthropy
Voluntary employers fund
Coordinate new funding options at state level or across multiple jurisdictions
Revolving loan fund for property acquisition

10.4 DISPLACEMENT AND PRESERVATION

There are policies that can help extend the life of subsidized housing and tools to keep "naturally occurring" affordable housing in the private market from becoming more expensive. These include financial incentives, often in the form of tax credits and fee waivers, for maintaining affordable rental prices. Special funds can also be made available to rehabilitate a property in exchange for maintaining affordability.

Preservation also encompasses efforts to maintain the safety and soundness of affordable homes. Local governments can help ensure that homes comply with local codes and property owners bring them up to standard as necessary.

Potential Displacement & Preservation Tools
Permit fee waiver for rehabilitation of affordable housing
Sales tax waiver for rehabilitation of affordable housing
Low-interest loans/revolving loan fund for preservation
Preservation tax credit
Code enforcement to maintain housing quality
Code enforcement to maintain affordability restrictions
Comprehensive tenant protections
Range of rent regulations / eviction protections

10.5 TENANT PROTECTIONS

Many residents experience inequities in access to safe housing that meets their needs. Without the enforcement of proper protections, many tenants living on low incomes experience discrimination, poor housing conditions, and unhealthy housing. Most tools relating to tenant protections focus on enforcement of local codes and other regulations when tenants are in a home. Additional strategies focus on equal access to homes and address the application process. Incentives can promote the construction and retrofitting of units to be accessible for people with special needs and different abilities.

Potential Tenant Protection Tools
Provide multi-jurisdiction support for local enforcement of codes & affordability
Support local implementation and enforcement to prevent source of income discrimination
Legal defense fund for local jurisdictions
Housing opportunities for people with criminal backgrounds
Require or create incentives for more housing that meets ADA/universal design for people with special needs and different abilities

10.6 ASSESSMENT, MONITORING, AND REPORTING

Assessment, monitoring, and reporting on data and trends over time can help with the success of housing plans and programs. This can include assessments of housing needs, monitoring implementation and outcomes, and reporting to elected officials and the public.

Ongoing reporting can be technically challenging and resource intensive. Coordinated reporting efforts, sharing of resources, and technical support can help to create long-term and consistent analysis to fully understand the opportunities and gaps in local and regional markets and to better align policies and regulations with desired outcomes.

Potential Assessment, Monitoring & Reporting Tools
Housing needs assessment
Assess zoning for alignment with demographic needs, family size, incomes, etc.
Identify housing needs related to jobs growth
Monitor local housing outcomes and assess effectiveness of local policies, regs, and programs
Buildable lands updates, including potential impacts on affordability
Develop data dashboard for housing
Share housing needs and development information among cities and counties
Evaluate demographic changes and identify need for change in strategies
Identify partnership opportunities
Provide regional clearing house for housing plans, strategies, data
Displacement risk analysis

11 CONSIDERATIONS AND QUESTIONS FOR VISION 2050

There are a variety of questions for PSRC boards to consider in updating VISION. What are the most pressing regional housing needs? What are the most effective tools for addressing those needs? What gaps are there currently in our collective housing efforts? What is the role for coordinated regional planning and action around housing?

VISION 2050 offers opportunities to address housing and housing affordability through both policies and actions.

Multicounty Planning Policies. The multicounty planning policies (MPPs) in VISION 2040 address common objectives and priorities for housing in the region, best practices, and areas for coordination.

- How well do the current MPPs address the breadth of housing challenges facing the region? Are there substantive gaps?
- Could the policies be improved through revised or additional policy language?
- Are there ways in which the MPPs could provide more specific guidance for local plans?
- Are there ways in which the MPPS could provide more guidance for countywide planning policies to address county and local affordable housing needs?

Implementation Actions. VISION 2040 includes two actions, both regional in scale, including a Regional Housing Strategy and a Regional Housing Program. While progress has been made in both areas, the VISION 2050 process is an opportunity to advance these and other areas for coordinated action on housing.

- Are there aspects of the current VISION 2040 housing actions that should be retained as priorities for PSRC or other agencies going forward?
- What additional actions at the regional, countywide, or local levels could be added to VISION 2050?
- Are there areas where additional data, research and analysis would have value?
- What areas of coordinated action may be effective in addressing housing affordability?

Discussion of these questions will be critical for understanding and setting regional and local goals for housing in the short-term and through the year 2050.

12 APPENDIX:

12.1 TAKING STOCK

Taking Stock 2016 is an assessment of the collective efforts of the region's counties and cities to implement VISION 2040, as viewed immediately following the 2015-2016 cycle of local comprehensive plan updates and looking ahead of the next update of VISION 2040. The full report is available online. The figure below outlines comments received on housing and the housing element of the comprehensive plan.

Figure 48: Overview of Feedback on Housing Element

Successes	Challenges
• **Housing prioritized as critical issue.** Communities expressed a higher level of interest in housing and housing affordability issues. • **Robust housing analysis.** Most plans included data-rich housing needs assessments that helped to inform policies and strategies. The use of common data and definitions, accompanied in some cases by staff support from subregional coalitions and other agencies (e.g., A Regional Coalition for Housing, Affordable Housing Alliance, health agencies, advocacy organizations) fostered greater coordination among jurisdictions. • **Housing capacity met growth needs.** Local plans provided sufficient capacity for overall targeted housing units needed over the 20-year planning period. • **Planning for more diverse housing types.** Many plans increased support for a greater diversity of housing types, including small-lot single-family, townhomes, senior housing, multifamily housing types, and innovative infill like accessory dwelling units and cottage housing. • **Use of more affordable housing tools.** Many jurisdictions have adopted new policies supporting new tools to encourage housing affordability, e.g., Multifamily Tax Exemption (MFTE), incentive and inclusionary zoning, streamlined regulations, surplus public lands.	• **Local housing is impacted by larger forces.** Housing is shaped by factors that are beyond local control, e.g., employment growth, wages, construction costs, financing, and funding from federal, state, and other programs for affordable housing. • **Community opposition to affordable housing.** Some residents continue to see density and subsidized housing as negatives for their communities. • **Completeness of needs assessments.** Future housing needs (# units, types, affordability levels), including the local share of countywide affordable housing needs, were not always clearly specified in the updated housing elements. • **Plans may not match housing demand.** Participants expressed varying perspectives on how well planned housing types met demand, with some focusing on limited supply to meet demand for single-family housing, some focusing on lack of housing diversity, especially alternatives to SF detached. • **One size does not fit all.** Guidance on affordable housing strategies and tools is seen by some as not differentiating among cities of different sizes and market conditions. • **Limited funding for affordable housing.** Available housing subsidies fall far short of the need. Local efforts to create housing are piecemeal; there is a need for more leveraged multijurisdictional efforts to finance affordable housing. • **Displacement is a rising concern with few effective tools.** Local governments have limited tools to preserve existing affordable housing that may be lost either to redevelopment or rising rents.

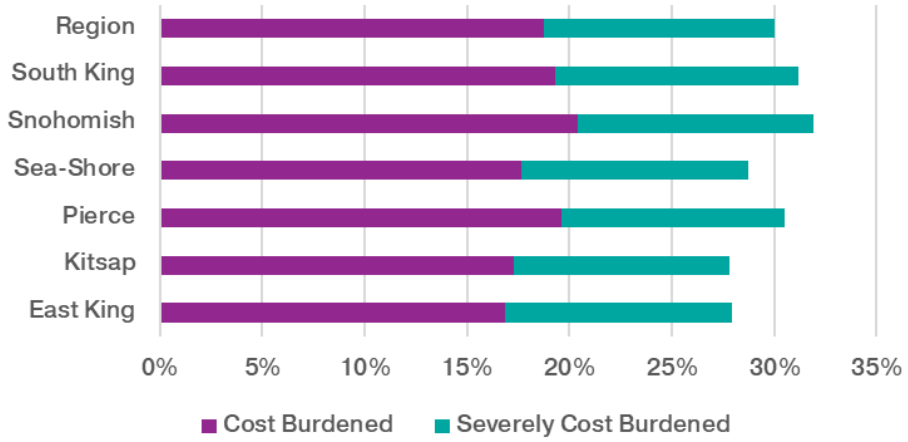
12.2 HOUSING COSTS

Figure 49: Housing Cost and Affordability Indicators

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Median Home Price (all homes)										
	King	$340,100	$317,000	$309,600	$344,100	$378,500	$416,400	$475,000	$548,700	$648,000
	Kitsap	$249,000	$239,800	$236,100	$231,600	$247,000	$253,500	$282,100	$314,300	$348,200
	Pierce	$224,600	$209,700	$194,000	$201,200	$220,600	$234,700	$258,400	$288,900	$329,200
	Snohomish	$273,100	$239,600	$232,200	$256,700	$288,400	$313,000	$353,100	$399,900	$460,300
Housing Affordability Index (all buyers)										
	King	110.5	124.0	131.9	121.9	105.9	103.0	92.3	79.4	
	Kitsap	146.2	153.7	170.7	176.9	165.4	163.0	151.1	133.7	
	Pierce	150.6	175.9	201.0	187.3	165.7	158.8	148.8	130.5	
	Snohomish	137.5	165.6	173.3	158.9	134.6	129.8	124.6	108.9	
Housing Affordability Index (first time buyers)										
	King	61.1	66.4	72.7	66.9	59.2	58.5	53.2	46.5	
	Kitsap	88.4	90.0	96.4	103.5	102.9	107.2	104.6	97.1	
	Pierce	86.2	98.4	117.9	100.9	86.9	80.8	73.5	62.6	
	Snohomish	78.2	92.2	98.6	86.8	73.7	71.1	68.4	59.8	
Median Rent (multifamily 5+ units)										
	King	n/a	$1,380	$1,390	$1,470	$1,610	$1,730	$1,870	$1,960	$2,020
	Kitsap	n/a	$920	$1,020	$950	$1,030	$1,120	$1,190	$1,280	$1,350
	Pierce	n/a	$1,160	$1,120	$1,120	$1,200	$1,220	$1,260	$1,360	$1,440
	Snohomish	n/a	$1,260	$1,240	$1,290	$1,350	$1,440	$1,530	$1,640	$1,710

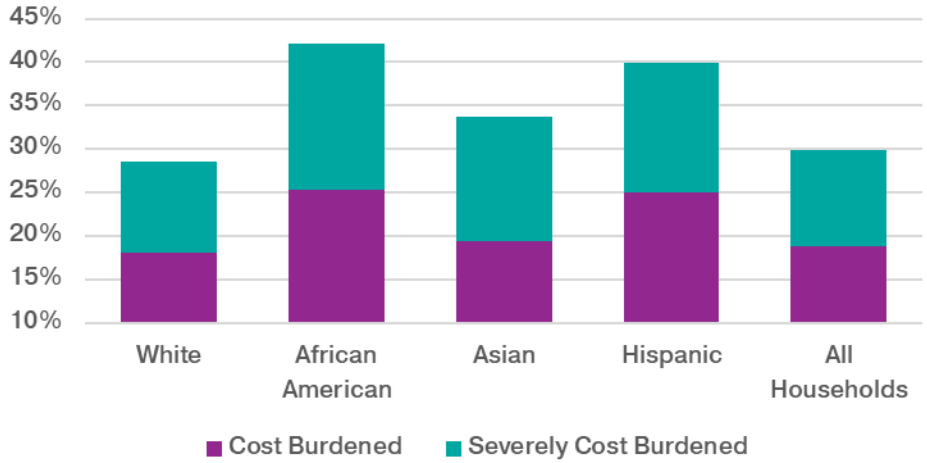
Source: WCRER/UW Runstad Center, Zillow

Figure 50: Cost Burdened Home Owners



Source: CHAS

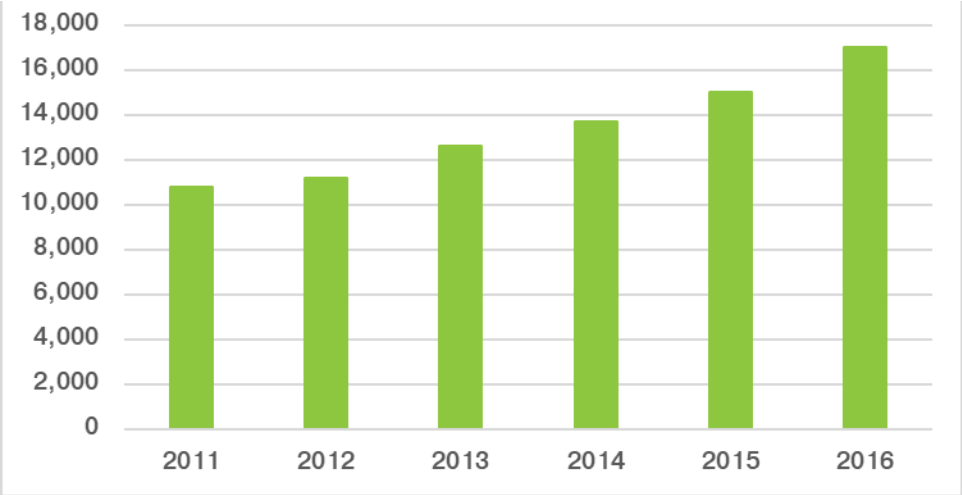
Figure 51: Cost Burdened Home Owners



Source: CHAS

The McKinney Vento Act[35] requires school districts to track the number of homeless students every school year. The number of homeless students in the region increased by 57% from 2011 to 2016. Many of the students captured in the McKinney Vento numbers are the unseen homeless, students living in motels, couch surfing, and living in cars and RVs.

Figure 52: Homeless Students



Source: OSPI

12.3 DEFINITIONS OF AFFORDABLE HOUSING INCENTIVES

There are a variety of tools that can be enacted by local governments to encourage housing through regulatory tools and administrative actions.

- Multi-family tax exemption. Jurisdictions can incentivize affordable home construction through the implementation of a multi-family tax exemption (MFTE). Cities can grant a

[35] The McKinney-Vento Act defines homeless children as "individuals who lack a fixed, regular, and adequate nighttime residence." Examples of this include students living in motels and couch surfing.

property tax exemption for 12 years in exchange for a developer building affordable housing (RCW 84.14.020). The statute requires that at least 20 percent of the units constructed meet affordability requirements if developers take advantage of the 12-year MFTE.

- Use of publicly owned land. Affordable housing may be developed on excess public land owned by cities, transit agencies, or other municipal districts. If publicly owned land no longer serves a purpose for a municipal organization, it can be re-developed for an important community purpose.
- Waive or reduce permit fees. Cities can incentivize affordable housing development by lowering the cost of development. Waiving or exempting developers from things like permit fees and sewer connection charges can further incentivize affordable housing production and lessen financial burdens on nonprofit developers.
- Technical assistance. Some agencies are available to provide technical assistance for local governments to help align incentives with income levels and need. These include housing organizations, such as ARCH in King County and AHA in Snohomish County, and the Washington State Department of Commerce. Housing advocacy organizations may also be able to provide technical support for local housing initiatives or levies.

There are a variety of regulatory tools and incentives for local governments to consider.

- Mandatory inclusionary zoning. Mandatory inclusionary zoning requires or incentivizes new developments over a certain size to allot a portion or number of units as affordable housing. Developers can sometimes opt out of building the units themselves by paying a fee in lieu.
- Reduced parking requirements. Many municipalities require multi-family developers to provide a certain number of off-street parking stalls for each residential unit constructed. Reducing mandatory parking requirements increases for-profit developers' incentive to build and lowers construction costs for non-profit housing developers.
- Density bonuses. Density bonuses are a zoning tool that permits developers to build more housing units, taller buildings, or more floor space than normally allowed, in exchange for provision of a defined public benefit, such as a specified number or percentage of affordable units included in the development. An affordable housing density bonus program can be designed to allow developers to contribute to a housing fund in lieu of building the affordable units.
- Development agreements. Development agreements are contracts negotiated between a developer and a local jurisdiction to specify the terms by which a proposed project moves forward. They can also be used to formalize an arrangement in which the developer provides certain public benefits (e.g., affordable housing) in exchange for certain concessions by the jurisdiction (e.g., regulatory flexibility, density bonuses).