# State of Washington
# HOUSING NEEDS ASSESSMENT

*January 2015*

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# INTRODUCTION

The State of Washington is blessed with an active housing development community, including both committed for-profit companies and strong nonprofit housing and service providers. We have vibrant economies in multiple regions spurred by innovative and fast growing businesses that would be the envy of any jurisdiction in the United States. We have a steady inbound migration of highly educated, young workers, and, particularly in the Puget Sound region, the jobs to satisfy them. We have the state and local governments willing to devote resources to affordable housing.

We share a concern, however, about the availability and distribution of affordable housing, particularly as our economy and population grow. What we have lacked has been a reliable, objective way to measure progress. What is the need? Where is the need? And, equally important, what will the need be in the future?

The Affordable Housing Advisory Board (AHAB) commissioned the Housing Needs Assessment with the intent of creating a baseline method of evaluating need and assessing the efficacy of our collective efforts to address it. We present our findings in two ways:

1. The housing affordability gap (i.e., the number derived from comparing households by income to housing units by cost), and
2. The number of households that are cost-burdened (i.e., who spend more than 30% of their income on housing)

The study arrives at these metrics through a three step process. First, it looks at the existing housing supply provided by the market, both renter- and owner-occupied. Next, it tallies up the inventory of subsidized housing. Third and finally, it looks at who still can't afford housing.

If you look at only one part of this study it should be the ***Executive Summary*** and the accompanying ***Geographic Profiles***. Those pieces present the story on a statewide, county-by-county and large population center basis. Beyond these components, the study itself delves into the detail behind the summary charts by presenting data-driven background information. It defines and analyzes cost burden and talks about the geographic and market influences that make a unit affordable in one place but not in another.

And, if you still want more, then the ***Appendices*** provide further information on the characteristics of Washington's housing market, population changes, household size and type, the economic and employment landscape and detail regarding our methodology and data sources.

This report does not address how to solve the affordable housing problem, though it provides a basis for disaggregating the problem to encourage local solutions. Other works, including the excellent piece by Enterprise and the Terwiliger Center, *Bending the Cost Curve*, provide practical solutions for lowering the cost and increasing the supply of affordable housing. The AHAB's mission for the Housing Needs Assessment is to provide a method for determining whether we are making a difference over time.

The AHAB intends this to be the first of many studies. Even as we finalize this document, we have begun the process of data and technology transfer to ensure that updates to this report can be repeated every few years by Department of Commerce and Housing Finance Commission staff. This first report is important in creating a baseline, but the second, fifth and tenth reports will overshadow this one in importance.

***Faith Li Pettis***

*Chair, Affordable Housing Advisory Board*
*November 2014*

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# DEFINING AFFORDABILITY

What does affordability really mean? What makes a house affordable, and why? What does it really cost to live in Washington today?

The Housing Needs Assessment describes factors that determine whether or not housing is affordable, to whom it is affordable and what places are more affordable than others.

## Income Bands

A number of terms are used consistently throughout this report to refer to specific housing concepts.

- ***Housing costs:*** Homeownership costs include mortgage principal and interest, taxes, insurance and utilities. Rental costs include rent and utilities.
- ***Affordability:*** Housing is affordable if a household pays 30 percent or less of their income for all housing costs.
- ***Median family income***: Incomes published by HUD for states, counties and large urban areas that are adjusted for household size. For Washington in 2012, this number was $72,900 per year. for a four-person household.
- ***Area median income***: Some analyses use the median income for a given geographic area as a reference point. This income is not adjusted for household size like the median family income, and so is usually a smaller number.
- ***Extremely low-income:*** 30% or less of the median family income.
- ***Very low-income:*** 30% to 50% of the median family income.
- ***Low-income:*** 50% to 80% of the median family income. “Low-income” can also be used as a catch-all term for any household making 80 percent or less of the median family income.
- ***Moderate-income:*** 80% to 100% of the median family income.
- ***Poverty:*** The federal poverty threshold for a family of four in 2012 was $23,050 per year. This was about 32 percent of Washington’s median family income.
- ***Cost burden:*** HUD defines any household paying more than 30 percent of household income on housing expenses as “cost-burdened.” For example, a household earning $100,000 per year but spending more than $30,000 for housing is cost-burdened.
- ***Severe cost burden:*** Any household paying more than 50 percent of household income on housing expenses.

For more information about income in Washington and the median incomes for each county, see ***Appendix C*** and the ***Housing Need Geographic Profiles.***

# Home Sales

## *Home sales have picked up, but have not returned to peak levels*

Across the state, home sales have continued to recover from the lows reached during the national housing market crisis.[1] However, the total number of home sales in 2012 still fell short of the 2000 total by 22.7 percent.

Meanwhile, the median price of homes sold in Washington fell from $284,400 in 2008 to $234,200 in 2012, a decline of 17.7 percent.[2] In 2012 dollars, the median price declined by 22.8 percent since 2008.

Moderately-sized homes have borne the brunt of this market shift. A home with four or more bedrooms sold for 29.3 percent less in 2012 than in 2008. Three-bedroom homes became even less expensive, falling 31 percent. Homes with two or fewer bedrooms lost the most value, with the median price falling 38.9 percent. All of these decreases have been adjusted for inflation.

Although lack of complete demographic and income data makes a direct comparison impossible, preliminary home sales trends for 2013 and 2014 indicate that the market is recovering and that sales prices have risen since 2012.

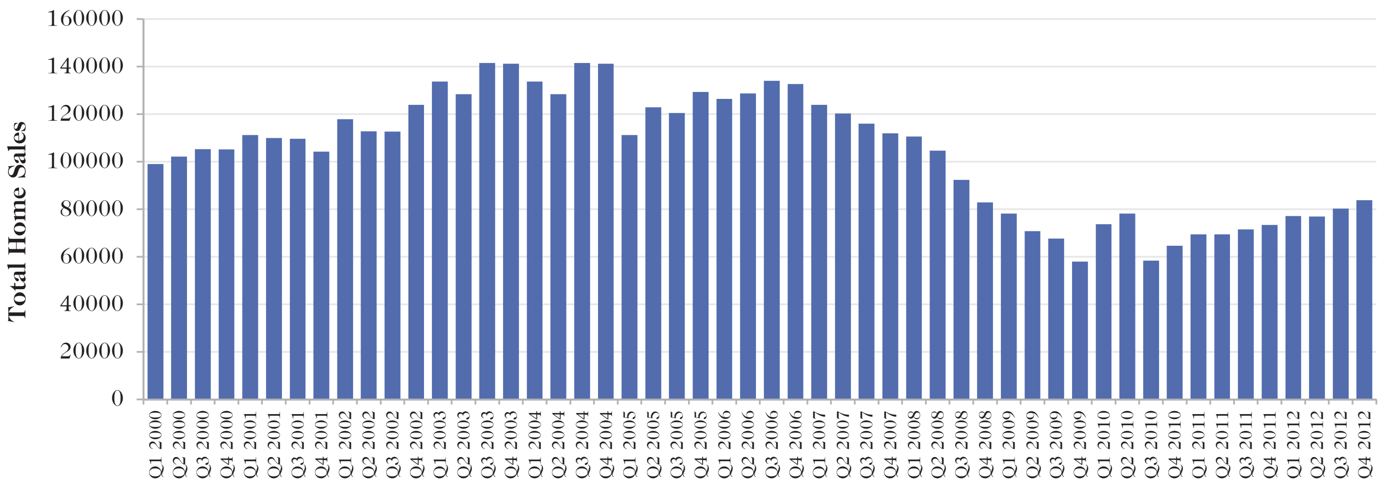
The documented decline in sales prices, although good news for current homebuyers and overall affordability, represents real losses for some homeowners whose homes are a significant part of their net worth.

In reality, all of these statistics represent a complete picture of a market that is still adjusting after the national recession.

1. The national "recession" or "housing market crisis" is defined as the 18 months of economic decline spanning December 2007 through June 2009.

2. Washington Center for Real Estate Research.

*Figure 1: Home sales are still recovering from the 2008-2009 recession*




## *A typical first-time buyer can't afford most homes for sale*

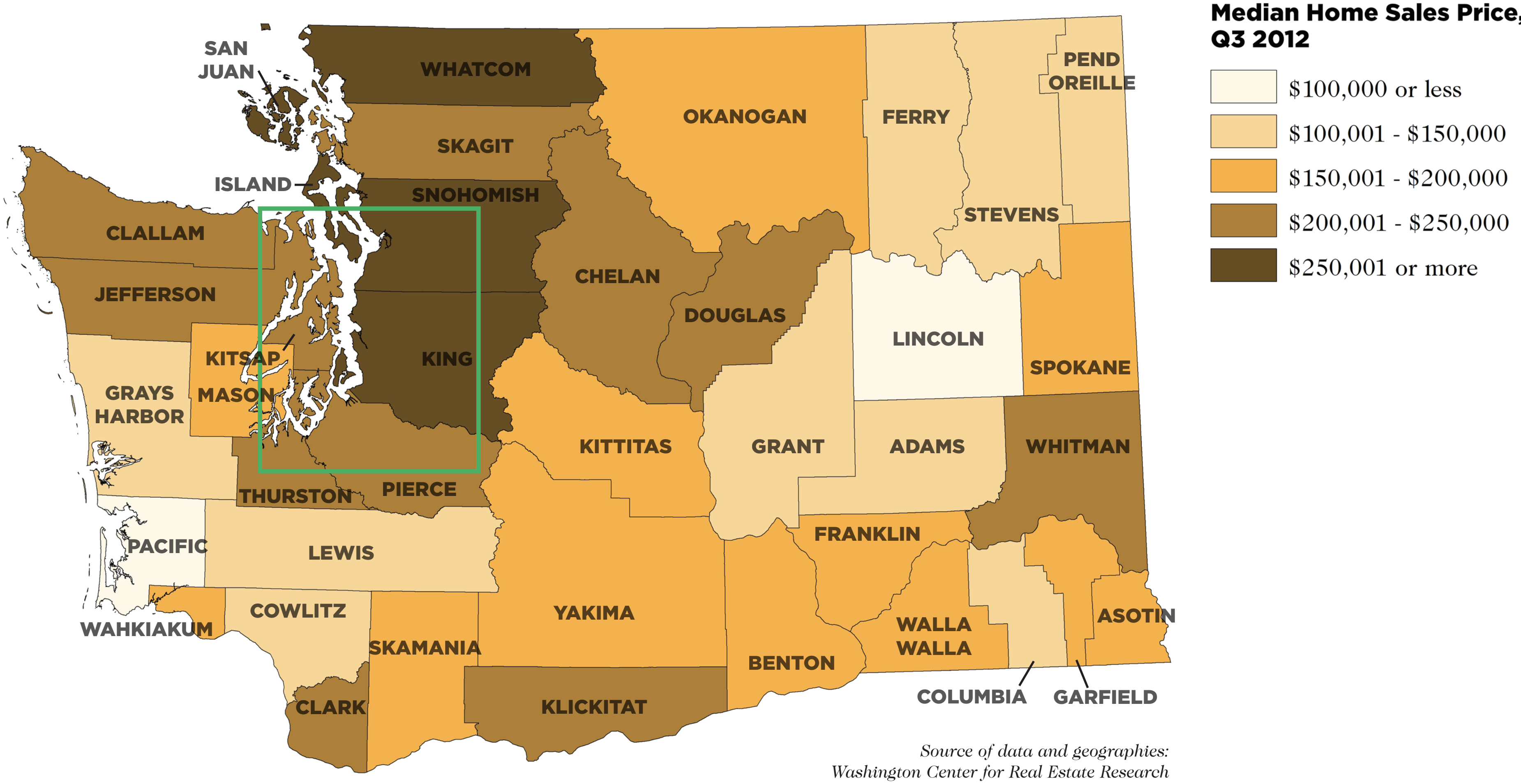
The median renter household income in 2012 across the state was $36,778. This means that a typical first-time homebuyer, paying no more than 30 percent of that income on housing, could afford to purchase a $145,201 home.

In the third quarter of 2012, which had the most home sales of any quarter that year, only 21.7 percent of homes listed were priced at or below $160,000.[3] As a result, less than one-quarter of the houses for sale in the state were affordable for the typical renter. Of course, prices and inventory can vary greatly among local markets.

Home prices during this quarter were generally lower east of the Cascades, where the median price in six counties was below $150,000. By contrast, the median in King, Snohomish and Whatcom counties exceeded $250,000. This reflects the nationally competitive appeal of Greater Seattle, as demand over the past ten years has driven average annual home appreciation in areas such as King County north of 10 percent.

3. Washington Center for Real Estate Research

## Map 1: Puget Sound has some of the highest priced homes in the state




*Source of data and geographies: Washington Center for Real Estate Research*

# Rent Costs

## Rents have dramatically increased statewide...

In 2012, the median gross rent (which includes monthly utilities) across Washington was $951 per month, compared to $663 in 2000. If median gross rent had increased solely at the rate of inflation, it would have been only $884 in 2012.

Between 2000 and 2012, units renting for less than $500 decreased from 24.8 percent of the inventory to 9.8 percent, while units renting for $1,000 or more increased from 14.6 percent to 45.1 percent.[1]

A diverse set of factors likely influenced these changes, including more demand in the rental market due to lower homeownership rates (see *Chapter 2: Existing Housing Supply)*.

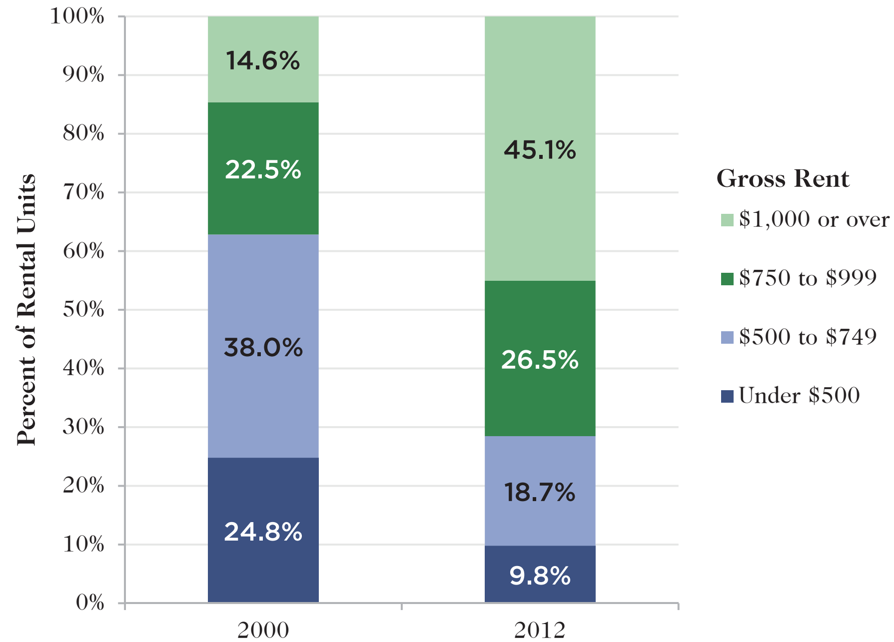
## ...but are highest in the Puget Sound area

The inflation-adjusted median gross rent rose across all Washington counties between 2000 and 2012, though the rate of increase varied substantially. Rents increased more than 50 percent in Kittitas, Pierce, San Juan, Clallam, Franklin, Thurston and Klickitat counties.

Rent increases were less than 30 percent in Columbia, Skamania and Wahkiakum counties. Columbia County lost 103 rental units (20.1 percent of its rental stock) during the same time span, while the supply in Skamania and Wahkiakum counties grew slightly.

In a pattern consistent with home sales prices, the highest rent prices in 2012 surrounded Puget Sound. The median rent in seven counties in that area was higher than $900, with the highest in King County at $1,100. The median rent also exceeded $900 in Clark County, north of Portland, Oregon.

*Figure 2: Rents have increased substantially since 2000*




*If the 2012 categories were adjusted to represent 2000 dollars, they would be: Under $375; $375 to $562; $563 to $749; $750 or over*

The rental vacancy rate across these eight counties was low, averaging 5.4 percent compared to 7.3 percent in 12 of the state's eastern-most counties, likely contributing to the high prices.

1. These data are categorical and are not adjusted for inflation. Therefore, the shift toward greater cost, though real, is less dramatic than it appears.

## *In most markets, voucher holders can afford market rents*

Each year, HUD publishes fair market rents for metropolitan and specified non-metropolitan areas to determine the amounts at which its programs will subsidize housing units. HUD also uses fair market rents to calculate income limits that determine which tenants are eligible to participate in its programs.

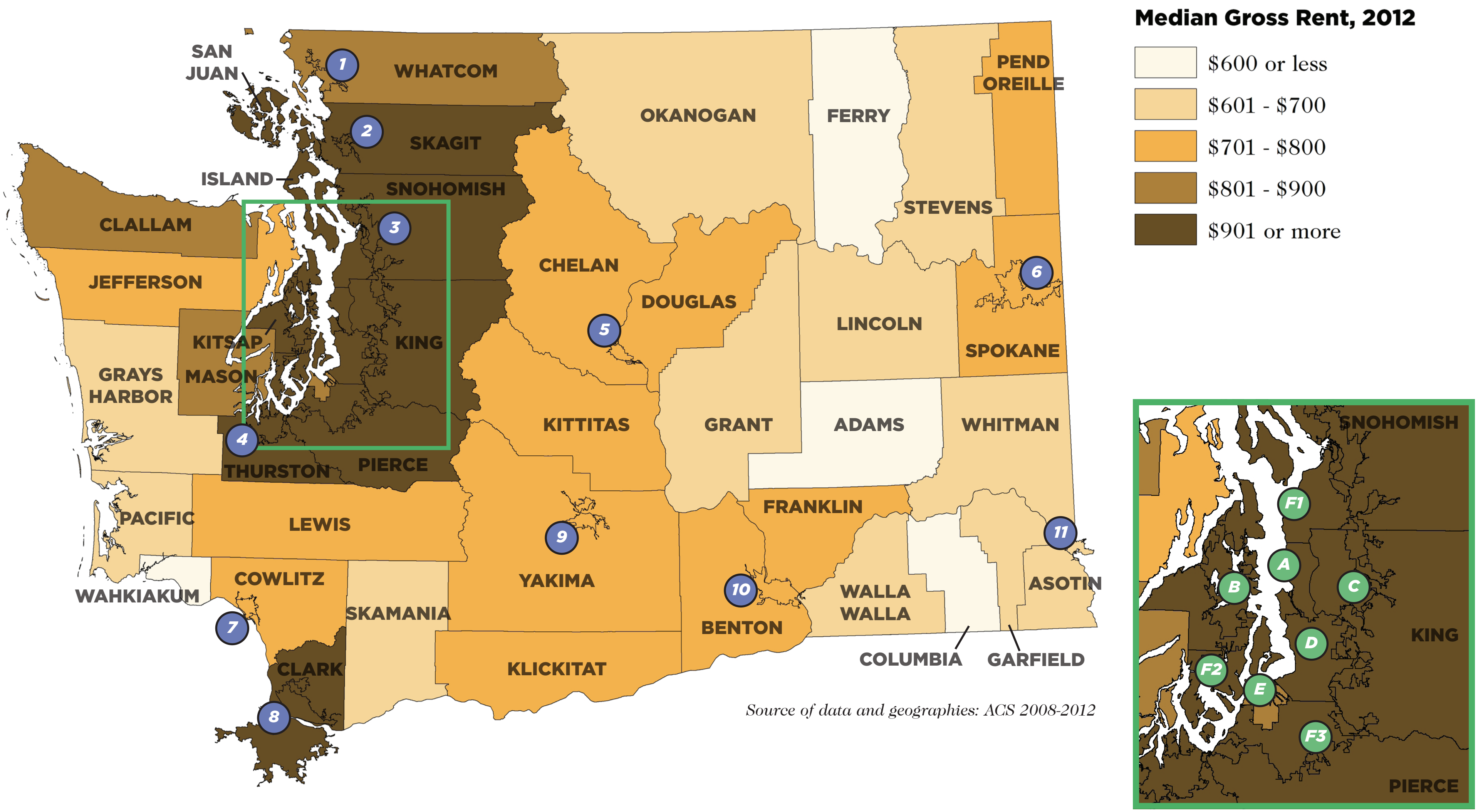
Fair market rents are gross rent estimates that include certain utilities. Currently, fair market rents are set at the 40th percentile, or the amount below which 40 percent of the standard-quality, non-subsidized housing units in a given area are priced.

The 2012 HUD fair market rent for a two-bedroom apartment ranged from $584 in Columbia, Ferry and Garfield counties to $1,098 in King and Snohomish counties. Generally, HUD's fair market rents were comparable to rent figures in the 2012 American Community Survey, with an average difference of only $6 across all counties. The largest differences were in Skamania County, where the fair market rent was $231 higher than the $660 median rent; and in Klickitat County, where the fair market rent was $135 lower than the $748 median rent.

The similarity between the HUD-defined fair market rents and real market rents is important because it suggests that the fair market rents are generally sufficient to allow participants in the Section 8 Housing Choice Voucher program to access a variety of rental housing options within a region.

HUD has undertaken a demonstration program to assess the impacts of changing its fair market rent determinations from the metropolitan level to the more precise zip-code tabulation level. In theory, this would drastically improve housing choice for voucher holders by more accurately reflecting the differences in rent prices among neighborhoods within a city.

## Map 2: Puget Sound and Vancouver have the highest rents in Washington




### Urbanized Areas

1. Bellingham, WA
2. Mount Vernon, WA
3. Marysville, WA
4. Olympia–Lacey, WA
5. Wenatchee, WA
6. Spokane, WA
7. Longview, WA–OR
8. Portland, OR–WA
9. Yakima, WA
10. Kennewick–Pasco, WA
11. Lewiston, ID–WA

### Urban Puget Sound

A. City of Seattle
B. Bremerton Urbanized Area
C. East King County
D. South King County
E. City of Tacoma
F. Seattle Urbanized Area (multi-part)

# Affordability Analysis

Affordability is an issue for many households across the state. Comparing median household incomes to rents and home values for each geography shows which places in Washington are more and less affordable.

## *Extremely low- and very low-income households can't afford the state's median rent*

The calculation for rental affordability represents what fraction of the median income is required to afford the median fair market rent, based on that rent not exceeding 30 percent of that income. For example, a fair market rent of $15,000 per year requires an income of at least $50,000 per year to be affordable ($50,000 * 30% = $15,000). If the median family income of that particular county is $80,000, then 62.5 percent of that median income is needed to achieve affordability ($50,000 / $80,000 = 62.5%).

This calculation is repeated for two combinations of income and rent:

» The median family income for a ***four person*** household with the fair market rent for a ***three bedroom*** unit

» The median family income for a ***one person*** household with the fair market rent for a ***one bedroom*** unit

At the state level, almost 73.3 percent of the median income for a four-person household is required to afford the fair market rent for a three bedroom unit. For a single person to be able to afford a one-bedroom unit, he or she must earn at least 60.4 percent of the median income.

This means that extremely low-income (30% or less of the median family income) and very low-income (30% to 50% of the median family income) households generally cannot afford rents in Washington. These categories represent a substantial portion of the state's population (see ***Chapter 5: Cost Burden***).

## *More than half of the state's housing stock can be affordably purchased by the typical household*

The analysis for determining the affordability of homeownership is presented slightly differently. First, the maximum home price that is still affordable to a household earning the median family income was based on the following assumptions:

» The mortgage was a 30-year fixed-rate loan at a 4.7% interest rate[1]

» The buyer made a 10% down payment on the sales price

» Private mortgage insurance (PMI) was 0.75% of the amount mortgaged

» Homeowner's insurance was equivalent to the value of the home divided by 1,000 and then multiplied by $3.50[2]

» Principal, interest, taxes and insurance (PITI) equaled no more than 30% of gross monthly income, a threshold of financial health commonly used by banks

This price was compared to the current values of the owner-occupied housing stock to result in a percentage of affordable homes.

Across the state, 53.8 percent of owner-occupied housing units are affordable to a household earning the median family income. Affordable does not mean available, however.

This analysis uses data from the 2012 American Community Survey. Home sales trends from 2013 and 2014 indicate that housing values have increased since then.

1. The prevailing regional rate for a 30-year fixed mortgage at the time of this calculation in April 2014

2. An estimation method used by the Federal Reserve Bureau

*Figure 3: A four bedroom rental unit is only affordable to households earning at least 75 percent of the state's median family income*

| | % of Median Income* Required to Afford Fair Market Rent** | |
|---|---|---|
| | 4 People/ 3-Bedroom | 1 Person/ 1-Bedroom |
| ***Washington State*** | ***73.34%*** | ***60.38%*** |
| Adams County | 68.46% | 56.89% |
| Asotin County | 63.44% | 51.00% |
| Benton County | 60.78% | 51.24% |
| Chelan County | 66.98% | 56.17% |
| Clallam County | 78.14% | 58.81% |
| Clark County | 71.07% | 60.35% |
| Columbia County | 53.67% | 43.05% |
| Cowlitz County | 68.83% | 58.11% |
| Douglas County | 66.98% | 56.17% |
| Ferry County | 67.59% | 55.67% |
| Franklin County | 60.78% | 51.24% |
| Garfield County | 62.87% | 50.43% |
| Grant County | 62.57% | 51.11% |
| Grays Harbor County | 74.24% | 57.36% |
| Island County | 72.11% | 58.64% |
| Jefferson County | 80.88% | 65.00% |
| King County | 70.50% | 59.22% |
| Kitsap County | 70.85% | 57.45% |
| Kittitas County | 67.66% | 54.78% |
| Klickitat County | 69.72% | 59.69% |
| Lewis County | 71.79% | 63.82% |
| Lincoln County | 66.27% | 54.61% |
| Mason County | 71.50% | 62.36% |
| Okanogan County | 68.93% | 61.26% |
| Pacific County | 74.08% | 56.93% |
| Pend Oreille County | 72.92% | 60.12% |
| Pierce County | 75.54% | 59.37% |
| San Juan County | 80.79% | 64.96% |
| Skagit County | 76.42% | 64.34% |
| Skamania County | 71.07% | 60.35% |
| Snohomish County | 70.50% | 59.22% |
| Spokane County | 65.95% | 52.06% |
| Stevens County | 65.78% | 53.65% |
| Thurston County | 69.55% | 53.56% |
| Wahkiakum County | 73.45% | 61.66% |
| Walla Walla County | 70.57% | 53.11% |
| Whatcom County | 85.81% | 66.93% |
| Whitman County | 65.48% | 51.12% |
| Yakima County | 71.80% | 60.27% |

** adjusted for household size | ** adjusted for unit size*

*Figure 4: Only 62 percent of the owner-occupied housing in Washington is affordable to households earning the state's median family income*

| | Median Family Income | Maximum Affordable Housing Value | % of Owner-occupied Housing That Is Affordable |
|---|---|---|---|
| ***Washington State*** | ***$72,900*** | ***$287,812*** | ***53.77%*** |
| Adams County | $46,100 | $179,221 | 76.99% |
| Asotin County | $55,800 | $217,750 | 65.26% |
| Benton County | $66,800 | $264,599 | 78.46% |
| Chelan County | $58,700 | $236,894 | 43.27% |
| Clallam County | $58,100 | $233,875 | 49.96% |
| Clark County | $73,000 | $281,248 | 62.18% |
| Columbia County | $58,800 | $233,589 | 73.84% |
| Cowlitz County | $59,100 | $233,176 | 64.09% |
| Douglas County | $58,700 | $230,803 | 55.57% |
| Ferry County | $46,400 | $184,500 | 60.81% |
| Franklin County | $66,800 | $259,932 | 84.90% |
| Garfield County | $50,200 | $202,101 | 75.34% |
| Grant County | $52,100 | $203,232 | 67.34% |
| Grays Harbor County | $52,100 | $206,072 | 66.94% |
| Island County | $72,500 | $299,681 | 49.67% |
| Jefferson County | $63,300 | $258,694 | 41.72% |
| King County | $88,000 | $349,312 | 41.25% |
| Kitsap County | $75,600 | $298,747 | 56.92% |
| Kittitas County | $62,900 | $261,259 | 52.22% |
| Klickitat County | $49,400 | $202,329 | 52.47% |
| Lewis County | $56,500 | $227,129 | 62.88% |
| Lincoln County | $54,200 | $211,616 | 67.17% |
| Mason County | $60,200 | $244,924 | 56.49% |
| Okanogan County | $51,300 | $206,918 | 63.49% |
| Pacific County | $52,700 | $206,243 | 67.76% |
| Pend Oreille County | $48,000 | $197,160 | 48.61% |
| Pierce County | $71,700 | $275,497 | 58.04% |
| San Juan County | $65,800 | $282,779 | 19.20% |
| Skagit County | $65,900 | $261,864 | 47.28% |
| Skamania County | $73,000 | $299,069 | 61.95% |
| Snohomish County | $88,000 | $344,570 | 58.66% |
| Spokane County | $62,900 | $243,493 | 68.35% |
| Stevens County | $54,000 | $218,898 | 61.46% |
| Thurston County | $75,000 | $292,675 | 64.36% |
| Wahkiakum County | $55,600 | $227,878 | 62.41% |
| Walla Walla County | $58,100 | $226,666 | 57.45% |
| Whatcom County | $57,800 | $231,858 | 33.91% |
| Whitman County | $61,700 | $238,909 | 67.47% |
| Yakima County | $51,200 | $200,661 | 69.27% |

# EXISTING HOUSING SUPPLY 2

Housing prices are a component of affordability, and prices themselves are not set arbitrarily. Many national, statewide and local trends and pressures influence how high rents climb, or what monthly mortgage payments will be.

Population growth, homeownership rates and vacancy rates all influence Washington's housing market. Examining how these have changed over time can suggest what might happen in the future.

## Households and Housing Units

### *Household growth has outpaced population growth...*

From 2000 to 2012, the total number of households in Washington increased by 15.3 percent compared to a total population increase of 14.3 percent.[1]

When households grow faster than the total number of people, it suggests that new households are not simply a result of births or in-migration to the state, but also reflect changes in preferences and lifestyles.

These underlying shifts in household size or household type, discussed in *Appendix B*, have a significant influence on housing demand.

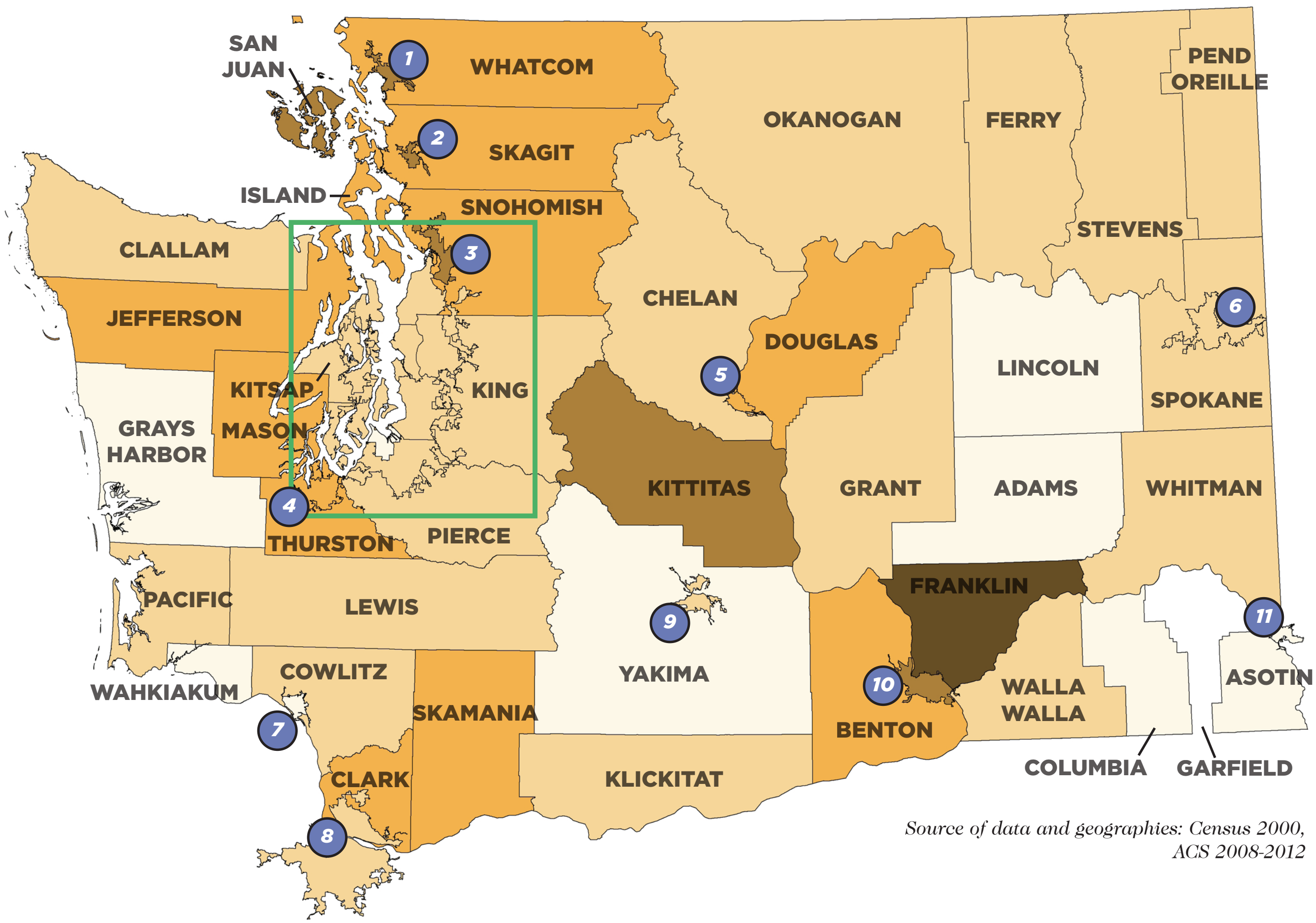
### *...but home building has outpaced household growth*

Between 2000 and 2012, while Washington gained 15.3 percent new households, housing units also increased by 17 percent, not including seasonal units.

The largest numbers of units were added in the contiguous counties of King (14.7% increase), Pierce (17.5%) and Snohomish (21.4%). The largest inventory expansions by percentage occurred in Franklin, San Juan, Kittitas, Mason and Jefferson counties, all of which had at least 25 percent more units in 2012 than in 2000.

1. The Census Bureau defines households as all persons who occupy a housing unit.

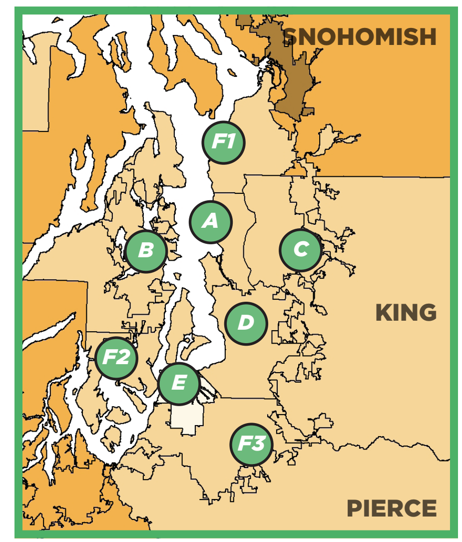
# Map 3: Homebuilding has been strong across most of the state




**Percent Increase in Total Housing Units, 2000-2012**

- 10% or less
- 10.1% - 20%
- 20.1% - 30%
- 30.1% - 40%
- 40.1% or more

*Source of data and geographies: Census 2000, ACS 2008-2012*




## Urbanized Areas

1. Bellingham, WA
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## Urban Puget Sound

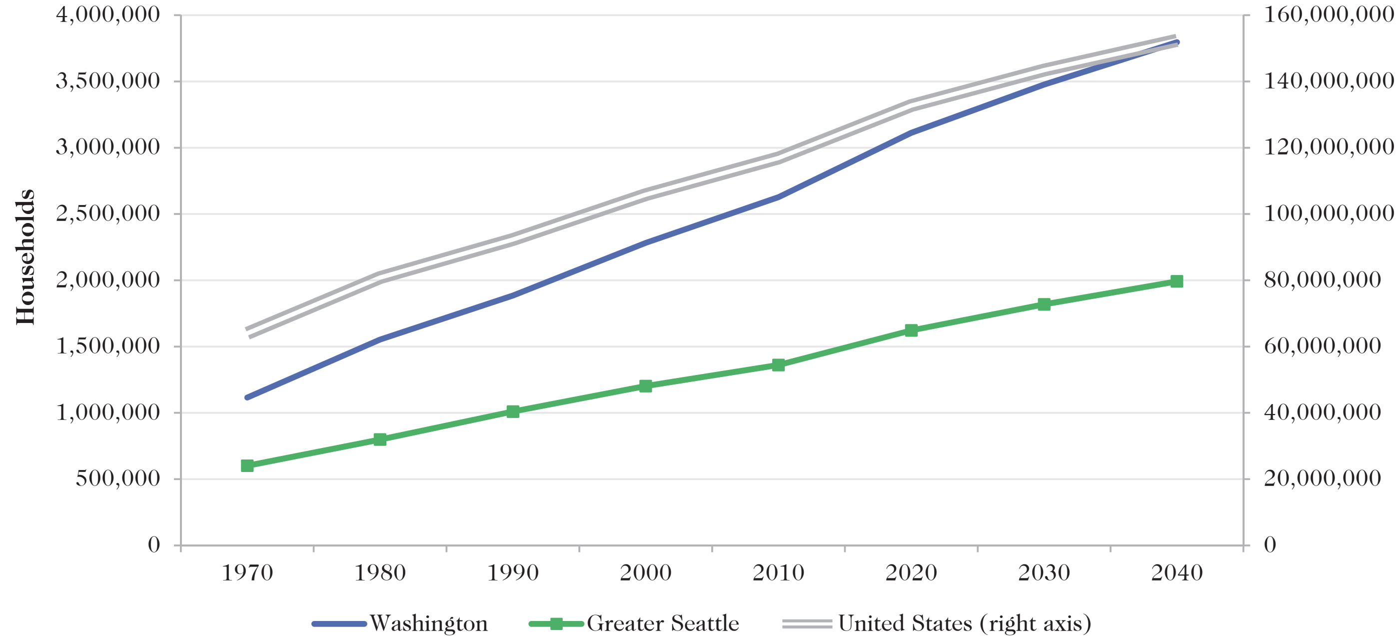
A. City of Seattle
B. Bremerton Urbanized Area
C. East King County
D. South King County
E. City of Tacoma
F. Seattle Urbanized Area (multi-part)

## Two-thirds of projected household growth will occur in Greater Seattle

The number of total households in Washington is expected to rise substantially between 2010 and 2020. Projections indicate households will increase by 18.5 percent, about two-thirds of which will be added to the Seattle metropolitan area (a local growth rate of 19.2 percent).[1]

This represents an average annual growth rate that is slightly higher than the state experienced over the past four decades (3.5% vs. 3.4%). Household growth in Washington is expected to outpace the projected national annual rate of 3.3 percent.

*Figure 5: Households in Washington will continue to increase, especially in Greater Seattle*




1. Woods & Poole Economics, 2010

## Multi-family building permits have rebounded more than single-family building permits…

Examining the volume and type of building permits provides further insight into the nature of the change in housing units. Between 2000 and 2012, local jurisdictions across Washington issued permits for the construction of nearly 480,000 housing units. Of the total permits issued, most were for units in single-family structures (70.1%), one-quarter were within structures with five or more units and a small number were within two- to four-unit structures (5.4%).

The number of single-family permits issued in 2012 was 35.2 percent lower than in 2000. Based solely on building permits, the market for single-family construction has not yet recovered from the national housing market downturn.

Permits for units in larger multi-family buildings, however, have rebounded from a low in 2009, and were only 3.5 percent lower in 2012 than in 2000.

This matches other related trends, such as decreasing household sizes discussed in ***Appendix B***. Single people and other small households are less likely to choose single-family houses, and the housing market has responded by offering more multi-family options.

## …and are much more common in the Seattle area

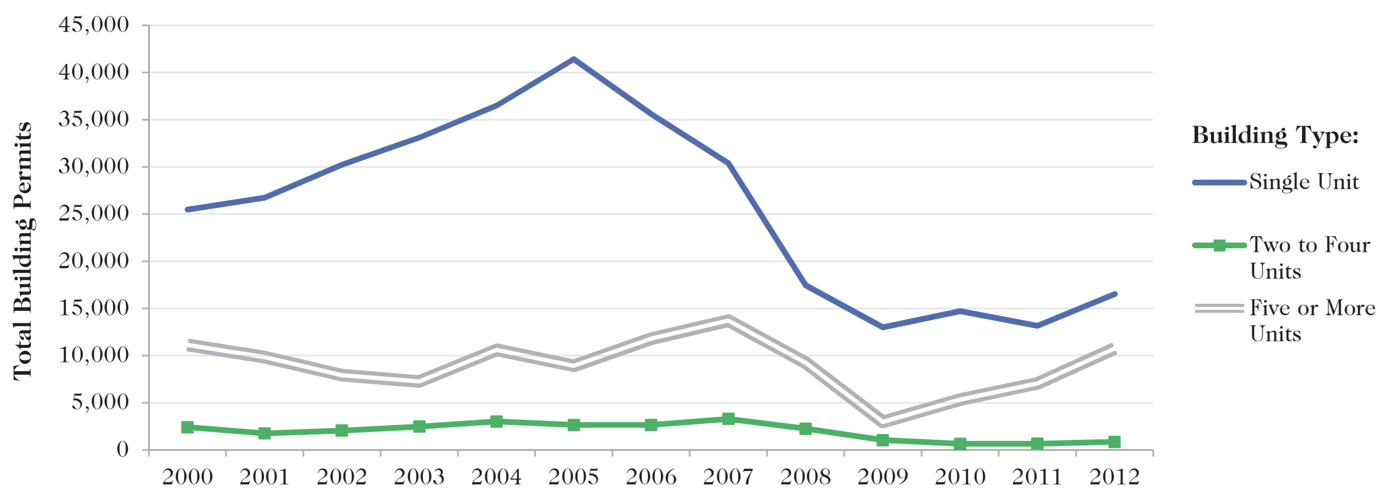
More than half of all housing construction permits issued between 2000 and 2012 were for structures in King, Snohomish and Pierce counties. Permits issued for units in multi-family structures in these three counties alone accounted for 70.6 percent of all multi-family permits issued statewide. Most of these were located in King County, and most of the ones in King County (88.3%) were for buildings with at least five units.

Multi-family permits were a relatively large share of permits issued since 2000 in Whitman County (62.5%), where Washington State University is located, and in Spokane County (34.9%).[1] In all other counties, multi-family permits accounted for less than 30 percent of the total issued. In 18 counties, less than 10 percent of all permits were for units in multi-family structures.

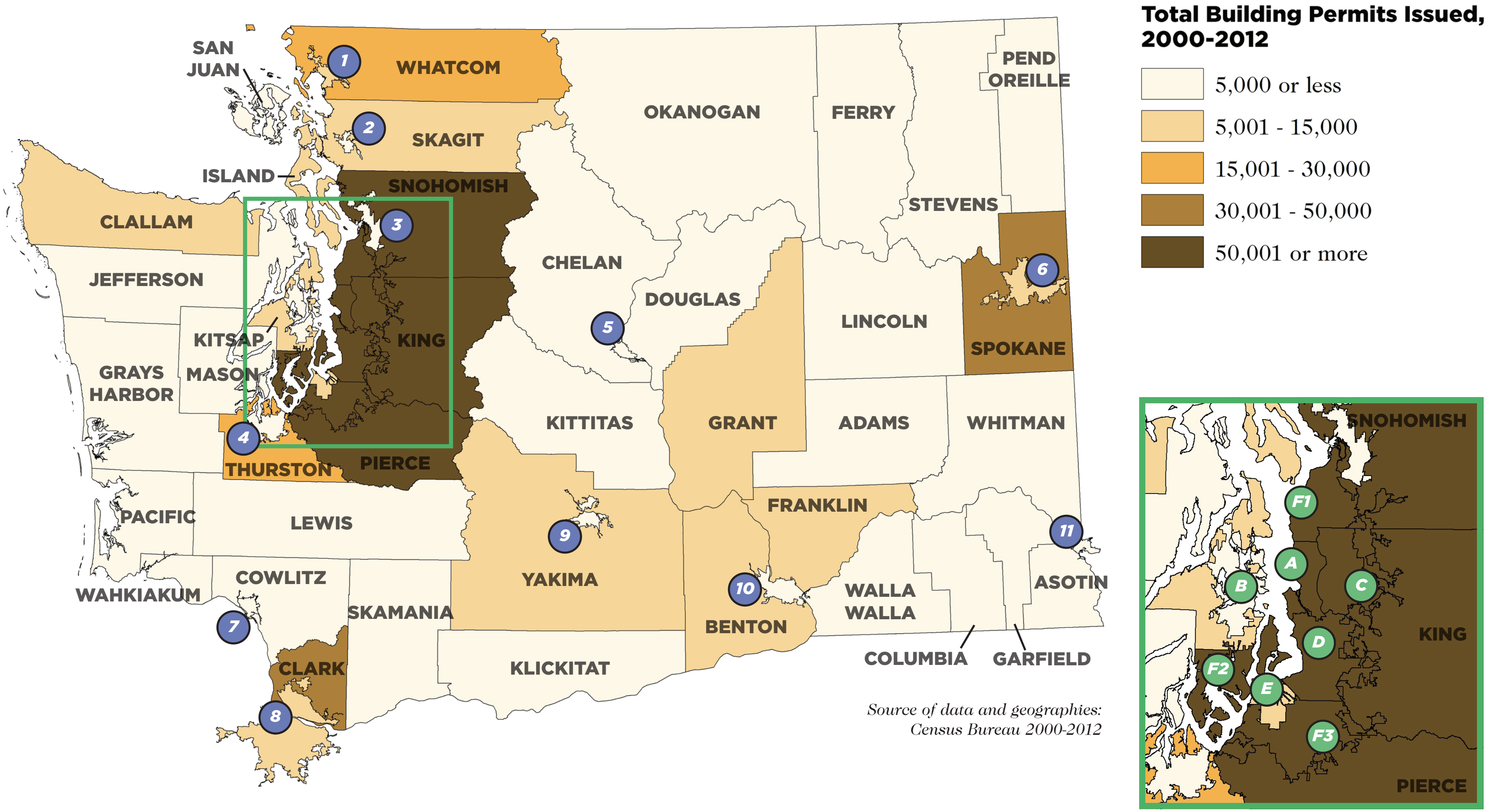
Given projections that current household sizes in Washington will remain stable in the future, this inclination toward multi-family construction will probably continue and will likely remain concentrated in the Puget Sound area.[2]

1. The location of Washington State University (enrollment 27,000) is related to the prevalence of multi-family construction in Whitman County.
2. Woods and Poole Economics.

*Figure 6: Single-family building permits have plummeted, while multi-family permits are on the rise*



## Map 4: The Puget Sound area issued the bulk of building permits




*Source of data and geographies: Census Bureau 2000-2012*

## Urbanized Areas

1. Bellingham, WA
2. Mount Vernon, WA
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F. Seattle Urbanized Area (multi-part)

# Tenure

## Homeownership rates have fallen...

The rate of homeownership fell statewide from 64.6 percent in 2000 to 63.8 percent in 2012, reflecting national trends. Lenders extended credit to large numbers of high-risk borrowers in the early 2000s, which contributed to an unprecedented surge of defaults during the ensuing national housing market crisis. Since 2008, underwriting criteria have tightened considerably, which has limited access to mortgage products even among well qualified would-be borrowers.

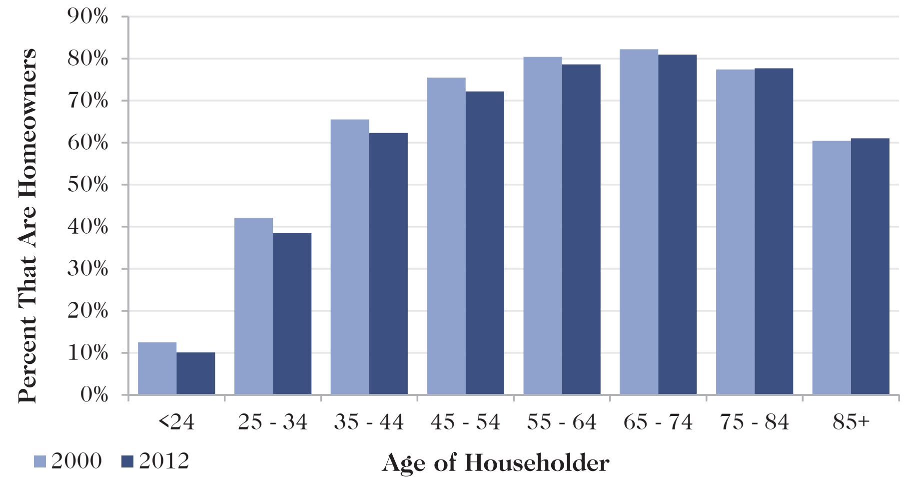
Additional provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act which took effect in January 2014 define and incentivize "qualified mortgages," which must meet very specific standards that may disproportionately impact lower-income households. For instance, the tightening of requirements for acceptable credit scores and debt ratios directly impacts lower-income households, who typically have lower credit scores and higher debt ratios.

## ...for nearly all age groups

Nine out of every 10 households headed by a person under the age of 25 rents rather than owns a home. As householders age into their 30s and beyond, more and more become homeowners. Home ownership rates peak at ages 65 to 74.

Since 2000, the share of the state's households who own their homes has decreased in nearly every age category. A falling ownership rate in younger age groups can signal the comparative difficulty of making a first-time home purchase. Falling ownership rates among the middle-aged usually signals moves to the rental market, whether due to having been priced out of the sales market, default, downsizing, an inability to access or maintain credit, or a perceived advantage of renting.

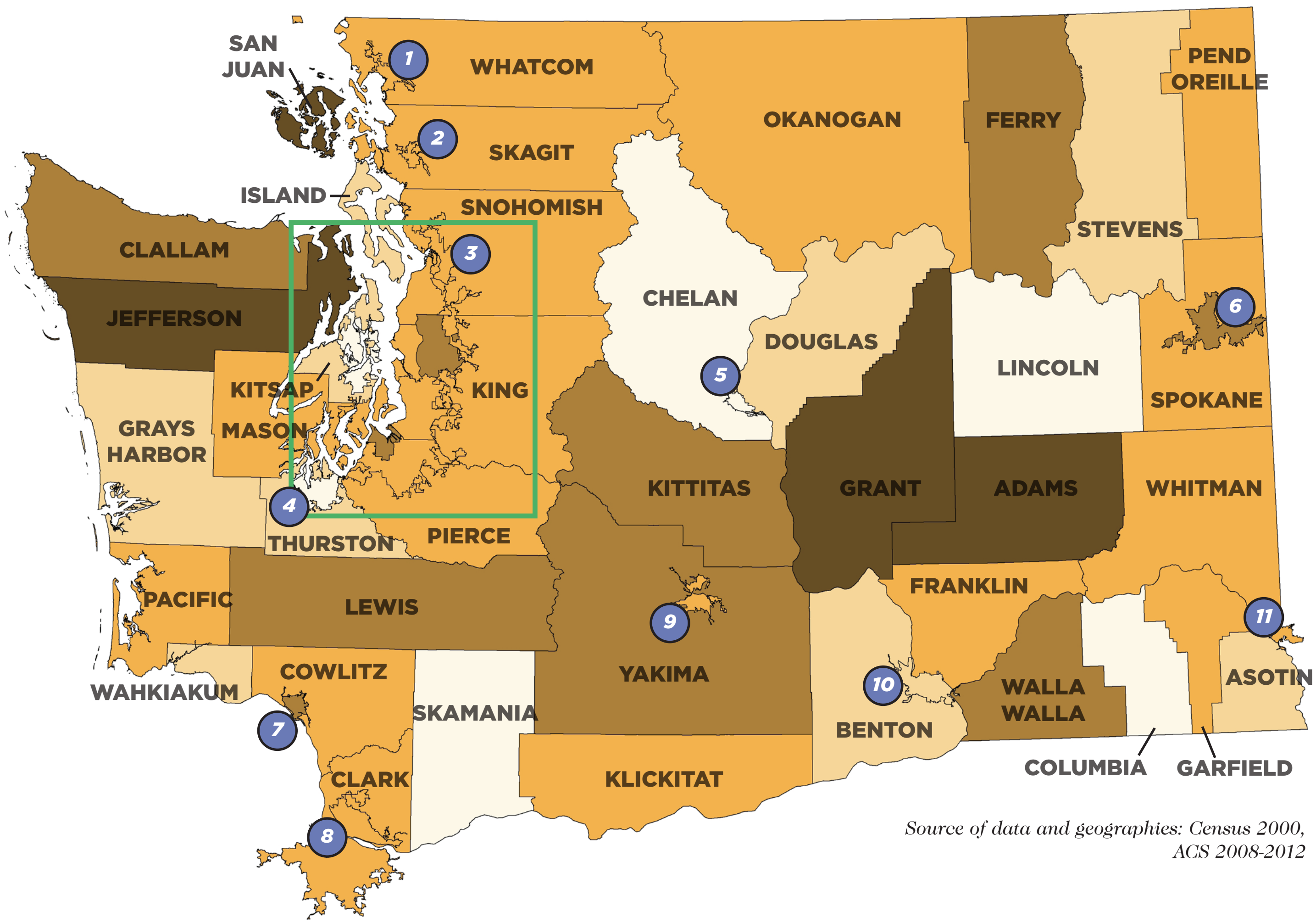
*Figure 7: Homeownership has decreased almost across the board*




For elderly households, however, any decrease in homeownership and the resulting move to the rental market can result in increased cost burden. The needs of older renters such as accessibility, access to health care and low maintenance homes are very different from the needs of other age groups, especially for those on fixed incomes who can very quickly become cost-burdened.

No matter the age category, decreasing homeownership translates into increased competition for all rental units, including affordable ones. Both young and old households for whom homeownership is not an option and who depend on those affordable units could see their housing choices decrease even further.

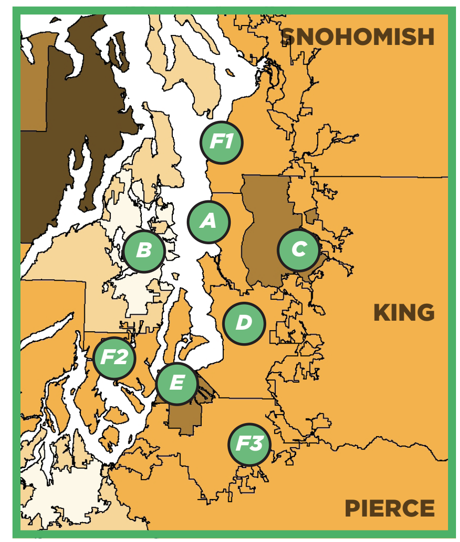
# Map 5: Homeownership rates are in decline




**Change in Homeownership Rates, 2000-2012**

- -3% or greater
- -2.99% to -1.5%
- -1.49% to 0%
- 0.01% to 1.5%
- 1.51% or greater

*Source of data and geographies: Census 2000, ACS 2008-2012*

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# Housing Values

## *Housing values have increased*

The median value of all homes statewide in 2012 was $272,900, compared to $168,300 in 2000. This represents an inflation-adjusted increase of 21.6 percent. It is important to note that median value is subject to misestimation because it is self-reported by homeowners.

By category, 40.3 percent of homes across the state were valued by their owners between $250,000 and $500,000, an additional 15.4 percent were above $500,000 and only 8.6 percent were less than $100,000.

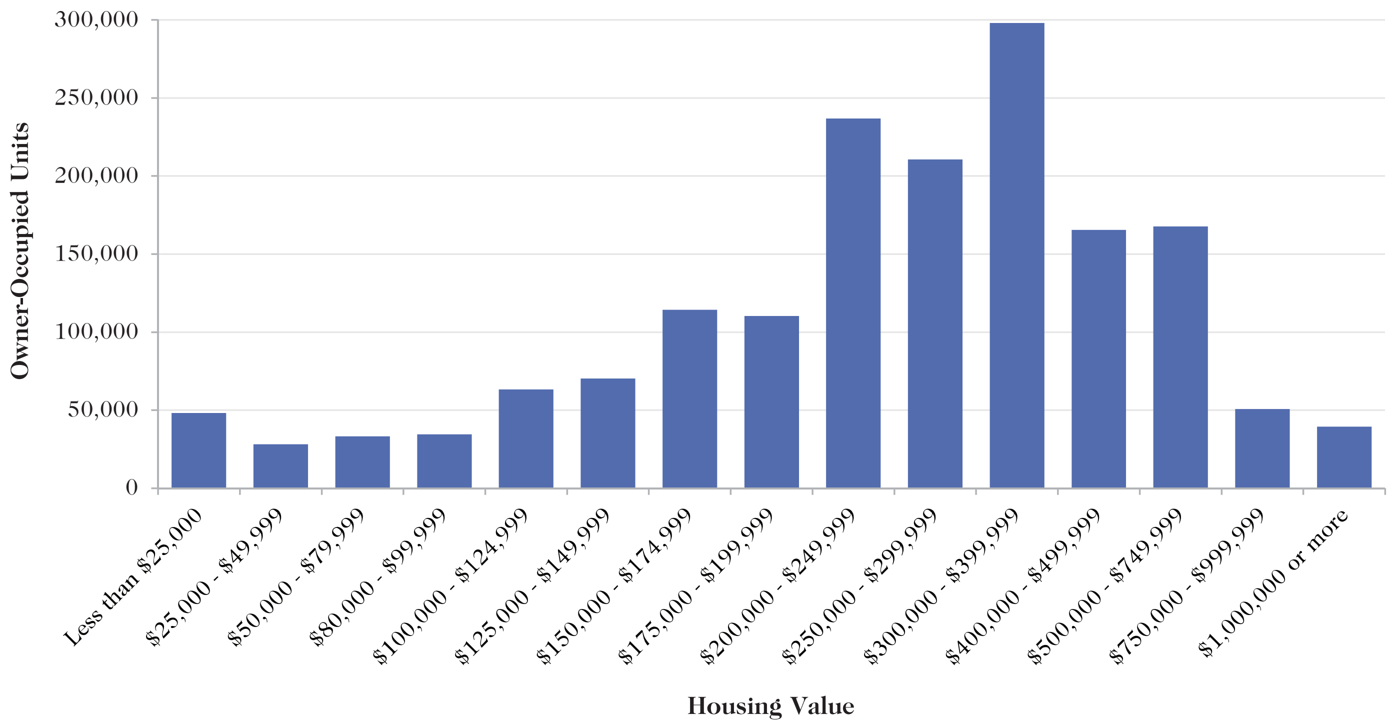
Even though the statewide median value has increased, the homes available to different income levels in specific geographies is what really determines how affordable purchasing a home in the state is (see ***Chapter 1: Defining Affordability***).

## *The highest housing values are around Puget Sound*

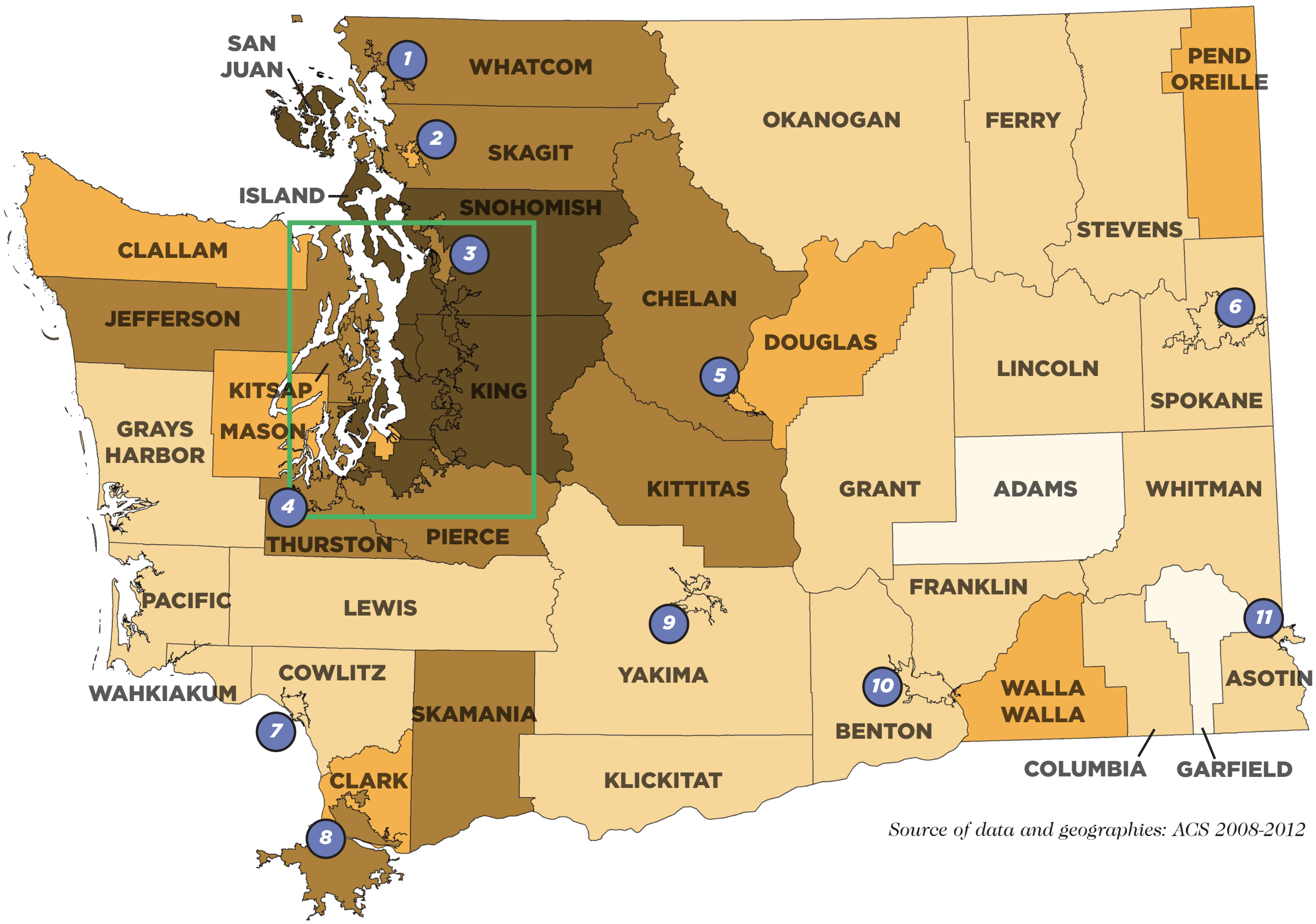
Overall, geographic patterns of housing value follow the patterns of recent sales prices, with higher values focused in and around Seattle.

Variation was substantial, with a difference of $365,300 separating the median value of the most expensive (San Juan) and least expensive (Garfield) counties. The median value was below $200,000 in 20 of the state's more rural counties and was higher in the urban core areas of Seattle and Vancouver-Portland.

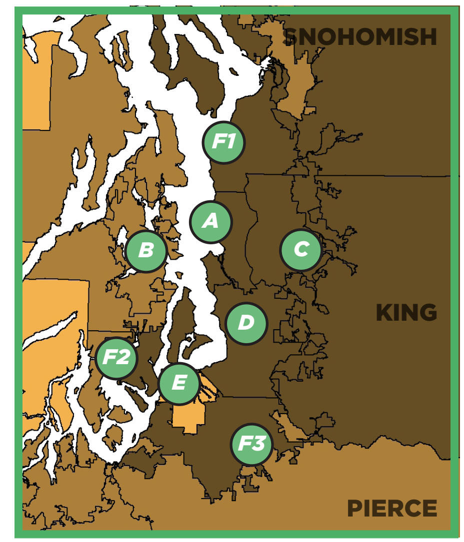
*Figure 8: The value of owner-occupied units are weighted toward the high value end of the spectrum*



## Map 6: The highest value homes are concentrated in and around Seattle




*Source of data and geographies: ACS 2008-2012*

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# Vacancy

## *Vacancy rates indicate a competitive market*

Housing market analysts often use 5 percent as a "natural" vacancy rate.[1] This is the vacancy rate that indicates a balance between housing supply and demand. Vacancy rates lower than 5 percent may indicate that new construction is insufficient to satisfy demand; higher rates imply an over-supply of housing.

In 2013, Washington's statewide owner-occupied vacancy rate ranged between 0.9 percent and 2.2 percent, indicating a comparatively tight market in which prices are made higher by the limited supply. In nine counties located along Washington's coast with owner-occupied vacancy rates above 3 percent, supply was closer to demand. However, the owner vacancy rate did not exceed 4 percent in any county.

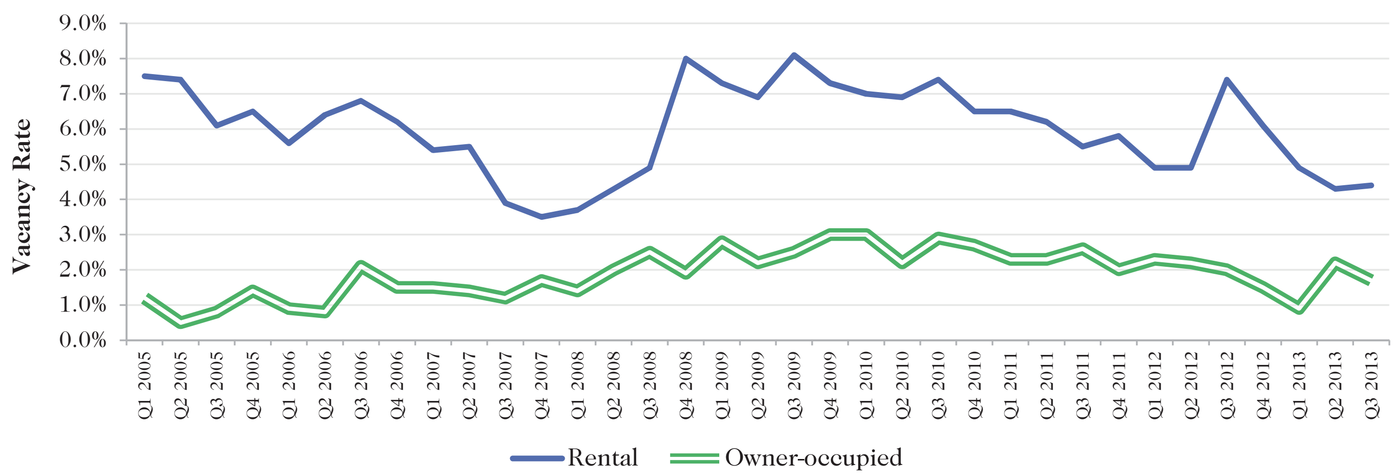
In 2013, Washington's non-seasonal rental vacancy rate ranged between 4.3 percent and 4.9 percent, slightly lower than the natural rate. Rental vacancy has proven more volatile than owner vacancy since 2005, reaching a low of 3.5 percent in the run up to the national housing market collapse and climbing to highs exceeding 8 percent in late 2008 and 2009.

In general, vacancy rates indicate that mobility is easier in the rental market than the home sales market. There are other shifts in the overall housing market to keep in mind, however, such as the decrease in homeownership, increase in renters and increase in households whose sizes and family composition make them more likely to rent, discussed in *Appendix B*.

Among vacant for-rent units (as opposed to vacancies due to seasonal use or other circumstance), vacancy was highest in Ferry, Kittitas and Whitman counties, all of which have fewer than 10,000 total rental units but relatively high rates of renter-occupied housing (up to 54%). This suggests that the existing supply can accommodate forseeable near-term growth.

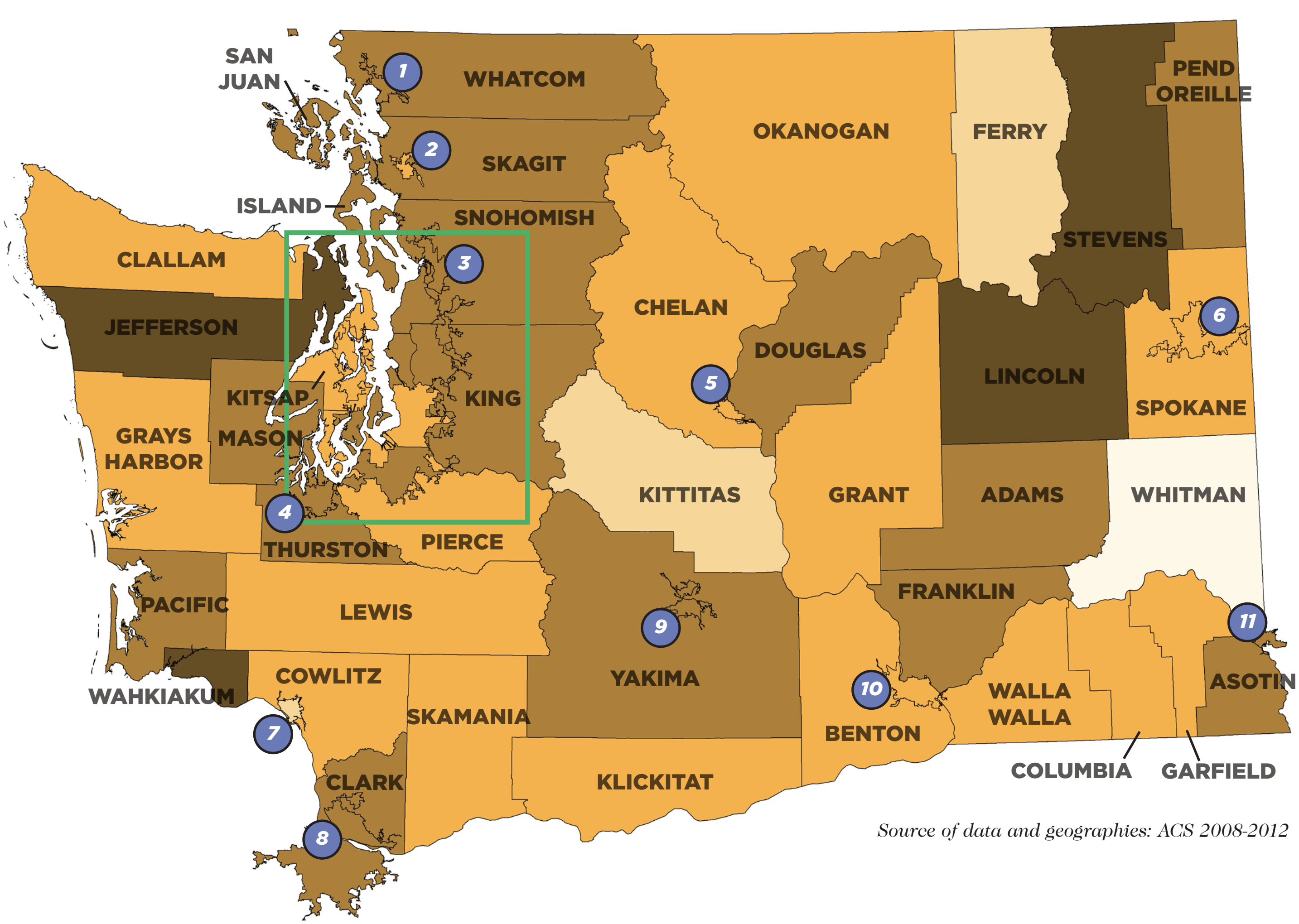
On the other hand, for-rent vacancy was 1 percent or less in geographically scattered rural counties such as Wahkiakum, Jefferson, Stevens, Lincoln and Pend Orielle, where the rate of renter-occupied housing was lower (19.7% to 23.6%) among unit totals less than 10,000. This suggests that rental supply lags demand in these areas. The renter-heavy King County market had a 1.8 percent rate of vacant units for rent.

*Figure 9: Owner-occupied vacancy rates in Washington are generally low*

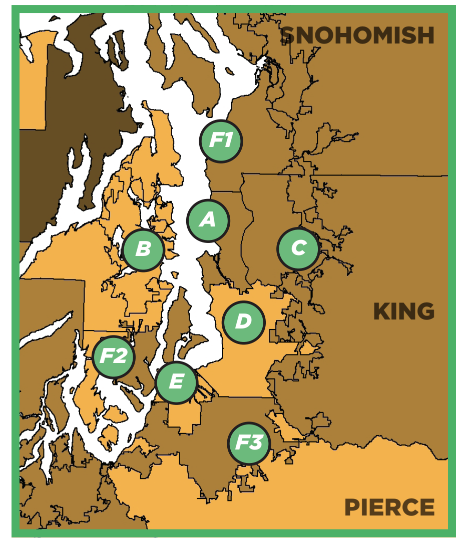



1. Hagen, Daniel A. and Julia L. Hansen. "Rental Housing and the Natural Vacancy Rate." Journal of Real Estate Research, April 2010. Pages 413-434.

## Map 7: Vacancy rates are mixed across the state




*Source of data and geographies: ACS 2008-2012*

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## Seasonal homes have been expanding rapidly in some counties

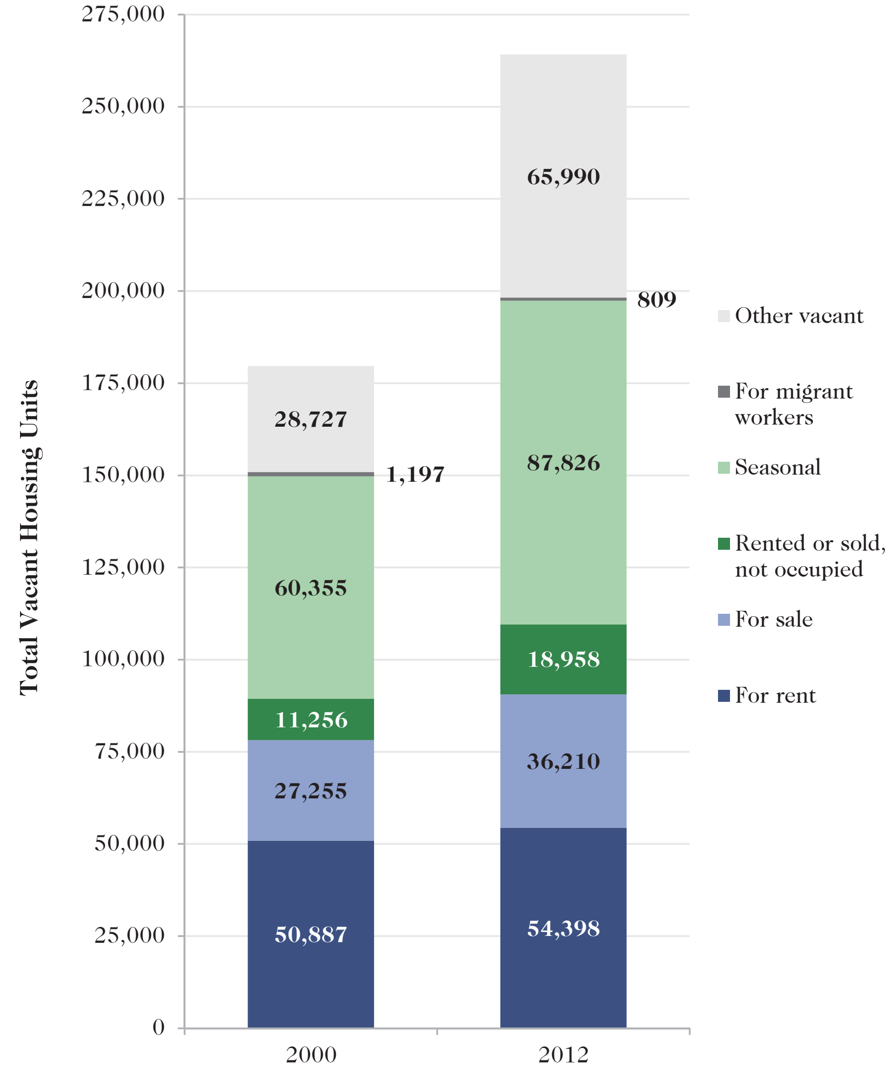
In Washington, the expanding inventory of units includes growing supplies of seasonal-use housing. Across the state, about one-third of the 9.2 percent total vacancy rate in 2012 consisted of properties for seasonal, recreational or occasional use.

The counties with the largest differences between the number of housing units and the number of households tend to be counties where seasonally vacant properties are especially prevalent.

For instance, Ferry County had 52.3 percent more homes than households in 2012, much larger than the 25.2 percent difference reported in 2000. Most of that discrepancy can be accounted for by the larger number of seasonally vacant units in 2012. Similarly, San Juan and Pacific counties also had more units than households in 2012. Of the "surplus" of units for these two counties, 80.7 percent were reported as seasonal vacancies.

This is important to consider because additions to the seasonal housing inventory do not increase the number of affordable and available units. They may, in fact, indicate reductions in potentially affordable units due to permanent housing being converted into seasonal housing, reducing the overall supply.

*Figure 10: Seasonal homes are growing across the state*



# 3 SUBSIDIZED RENTAL HOUSING INVENTORY

The effort to expand subsidized housing in Washington requires participation at all levels of government. Local, state and federal funders administer programs to cover the capital and operating costs of subsidized housing, and each program comes with its own set of goals, rules and eligibility criteria.

Given the continually dwindling availability of funds, local governments, state agencies, public housing authorities, developers and other stakeholders often leverage available funding resources by combining support for projects.

This chapter evaluates the extent to which demand for affordable housing is met, through both the existing inventory of public capital investment as well as new anticipated housing development. In particular, the chapter focuses on multi-family housing financed in whole or part with federal or state resources. It does not consider public funding for homeownership activities.

## Data Sources

The analysis in this chapter involved the creation of a subsidized housing inventory by collecting and combining information from a variety of sources.

The Web-Based Annual Reporting System (WBARS), a tool that allows owners and managers to report data for their affordable multi-family rental projects, provided detail on units created by the Washington State Housing Finance Commission, State Department of Commerce, City of Seattle, King County, Snohomish County, City of Tacoma and City of Spokane.[1]

A collection of federal datasets reported units created by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA).[2]

Finally, a statewide survey of public housing authorities conducted in early 2014 produced an original data set. All 38 authorities in Washington that own and operate public housing units or administer a voucher program provided information on the sites they manage.[3]

Basic information on each funding program and the methodology for assembling the inventory appear in *Appendix D*.

1. Among other programs, these funders administer the Housing Trust Fund, the 9% Housing Tax Credit, the 4% Housing Tax Credit with Bonds, 80/20 Housing Bonds, 501(c)(3) Nonprofit Housing Bonds and the HOME Investment Partnerships Program.

2. These two federal agencies subsidize capital and provide rent assistance through programs including project- and tenant-based Section 8, Section 202 Supportive Housing for the Elderly, Section 811 Supportive Housing for Persons with Disabilities and Section 515 Rental Rural Housing.
3. Tribal housing authorities are not included in this analysis.

# Inventory Characteristics

The inventory provides a point-in-time snapshot of the state's subsidized housing and the households served as of December 31, 2013. Each unit was counted only once, though many have multiple funding sources.

While the inventory represents the majority of public and publicly assisted affordable housing in Washington, it is focused on construction and rehabilitation programs and does not include all units funded by all programs, particularly emergency and transitional housing for the homeless, seasonal farmworker units and some tribal housing. Analysis of these categories appears later in this chapter.

Additionally, units created solely with local or county investment not reported in WBARS were not included due to a lack of data.

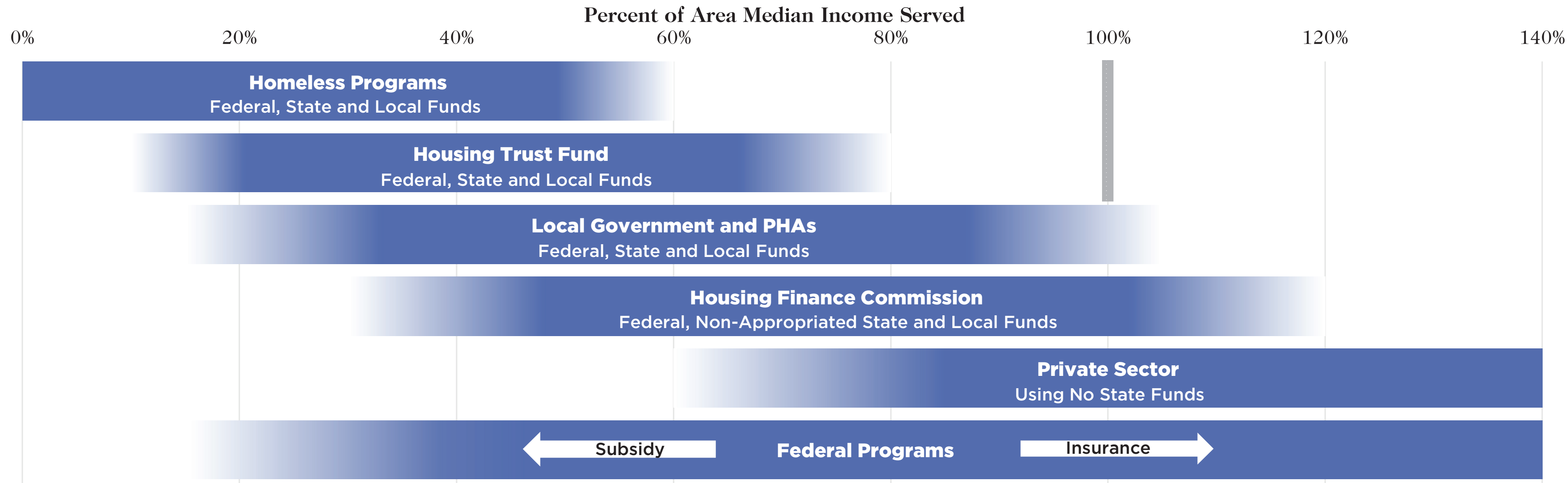
## *There are more than 118,000 subsidized rental units for low-income households*

As of December 31, 2013, there were 2,628 unique sites containing 118,092 units of rental housing eligible to low-income households (those making 80 percent or less of the area median income). An additional 598 units were eligible to households earning 100 percent or less of the area median income.

In total, the inventory of subsidized sites includes 134,393 units, a sum that also includes units without income restrictions, most commonly in mixed-income developments.[1] In addition to these physical units, there are 40,169 tenant-based vouchers in circulation across Washington.

1. For each section in this chapter, data are presented for the total of units for which it was reported. Therefore, for some parts of the analysis (for example, where some data for records were not provided), the actual total may be smaller than 134,393.

*Figure 11: Collectively, various funders address housing need across the entire income spectrum*



## *Subsidized housing in some counties isn't nearly enough to alleviate cost burden*

Subsidized housing follows population concentration patterns statewide, with heavier density in and surrounding the City of Seattle.

With suburban poverty increasing in recent years, the disproportionate share of cost-burdened households in Clark, Pierce, and Spokane Counties in relation to their share of the affordable housing inventory bears implications for meeting future housing needs in these areas.

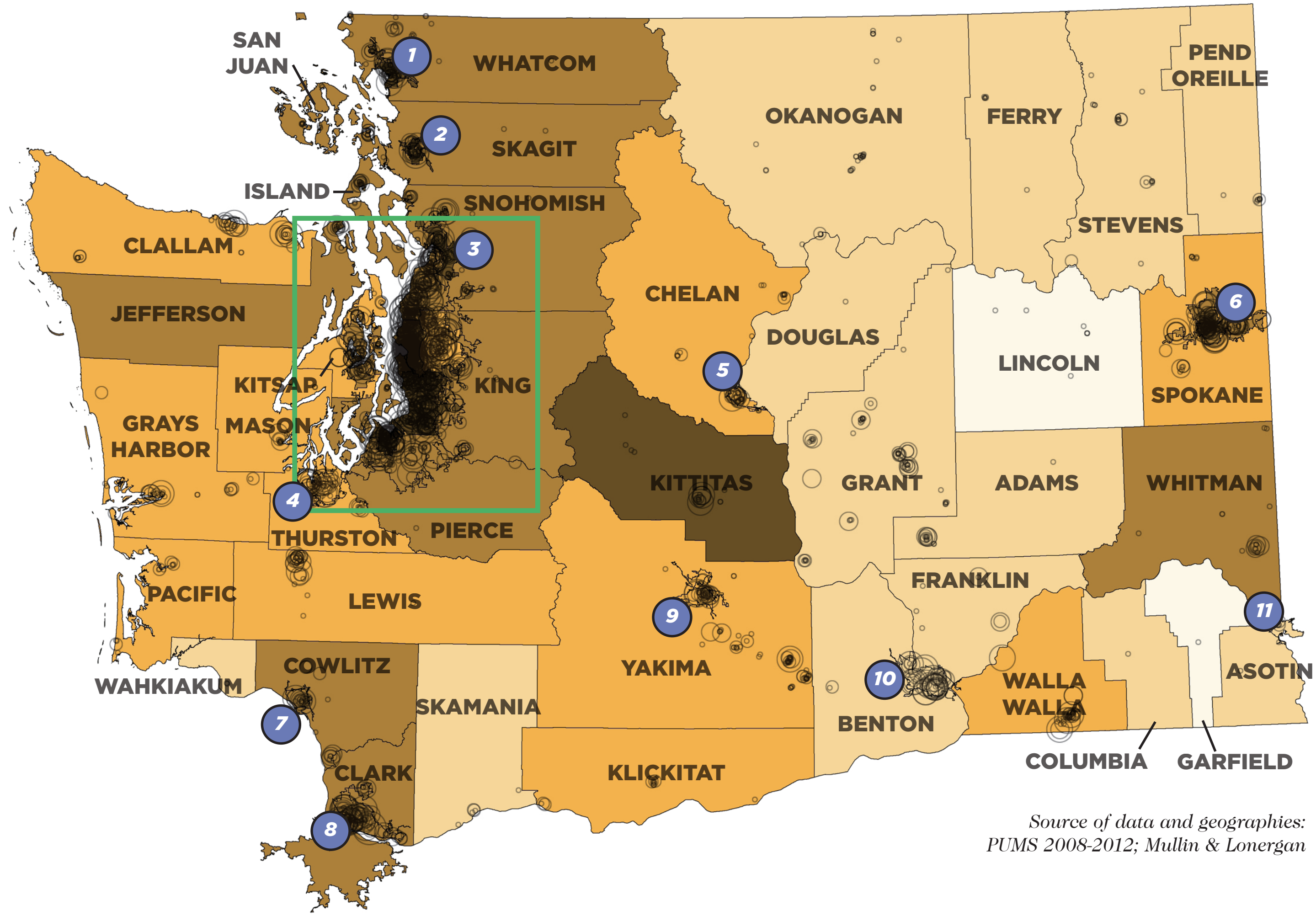
As market-rate housing in inner cities becomes more expensive, cost-burdened and/or low-income households may be pushed out of cities and forced to look for housing in suburbs. The need for affordable housing in these counties may increase in the future, exacerbating this existing trend.

*Figure 12: Subsidized inventory and housing need are not always geographically concentrated*

| County | Sites | Units | Share of Statewide Inventory | Share of Low-Income Renter HHs | Share of Cost-Burdened Renter HHs |
|---|---|---|---|---|---|
| Adams | 15 | 441 | 0.3% | 0.2% | 0.2% |
| Asotin | 12 | 280 | 0.2% | 0.3% | 0.2% |
| Benton | 35 | 2,902 | 2.2% | 2.2% | 1.9% |
| Chelan | 38 | 1,507 | 1.1% | 0.9% | 0.7% |
| Clallam | 37 | 1,592 | 1.2% | 1.0% | 1.0% |
| ***Clark*** | 99 | 6,350 | ***4.7%*** | 5.7% | ***5.8%*** |
| Columbia | 2 | 50 | 0.0% | 0.1% | 0.1% |
| Cowlitz | 34 | 1,256 | 0.9% | 1.6% | 1.6% |
| Douglas | 12 | 316 | 0.2% | 0.4% | 0.4% |
| Ferry | 10 | 121 | 0.1% | 0.1% | 0.1% |
| Franklin | 19 | 1,270 | 0.9% | 1.0% | 0.8% |
| Garfield | 1 | 2 | 0.0% | 0.0% | 0.0% |
| Grant | 73 | 2,100 | 1.6% | 1.3% | 0.9% |
| Grays Harbor | 28 | 900 | 0.7% | 1.0% | 0.8% |
| Island | 26 | 785 | 0.6% | 0.9% | 0.9% |
| Jefferson | 20 | 690 | 0.5% | 0.5% | 0.5% |
| King | 949 | 57,259 | 42.6% | 32.1% | 33.3% |
| Kitsap | 91 | 4,272 | 3.2% | 3.5% | 3.3% |
| Kittitas | 21 | 930 | 0.7% | 1.0% | 1.0% |
| Klickitat | 13 | 277 | 0.2% | 0.3% | 0.3% |
| Lewis | 32 | 1,228 | 0.9% | 1.0% | 0.9% |
| Lincoln | 8 | 107 | 0.1% | 0.1% | 0.1% |
| Mason | 14 | 401 | 0.3% | 0.5% | 0.5% |
| Okanogan | 32 | 651 | 0.5% | 0.6% | 0.4% |
| Pacific | 14 | 326 | 0.2% | 0.3% | 0.3% |
| Pend Oreille | 9 | 143 | 0.1% | 0.2% | 0.1% |
| ***Pierce*** | 168 | 10,203 | ***7.6%*** | 11.1% | ***12.4%*** |
| San Juan | 12 | 202 | 0.2% | 0.2% | 0.2% |
| Skagit | 58 | 2,261 | 1.7% | 1.5% | 1.6% |
| Skamania | 5 | 133 | 0.1% | 0.1% | 0.1% |
| Snohomish | 217 | 12,842 | 9.6% | 9.4% | 9.5% |
| ***Spokane*** | 167 | 8,682 | ***6.5%*** | 8.0% | ***7.6%*** |
| Stevens | 20 | 440 | 0.3% | 0.4% | 0.3% |
| Thurston | 70 | 3,838 | 2.9% | 3.4% | 3.4% |
| Wahkiakum | 2 | 19 | 0.0% | 0.0% | 0.0% |
| Walla Walla | 40 | 1,474 | 1.1% | 1.0% | 0.9% |
| Whatcom | 85 | 3,629 | 2.7% | 3.5% | 3.5% |
| Whitman | 19 | 439 | 0.3% | 1.2% | 1.2% |
| Yakima | 119 | 4,075 | 3.0% | 3.4% | 3.2% |
| ***Total*** | ***2,626*** | ***134,393**** | ***100.0%*** | ***100.0%*** | ***100.0%*** |

** Total includes market-rate units at mixed-income site and units set aside at 100% of the area median income in addition to units set aside at or below 80% of the area median income*

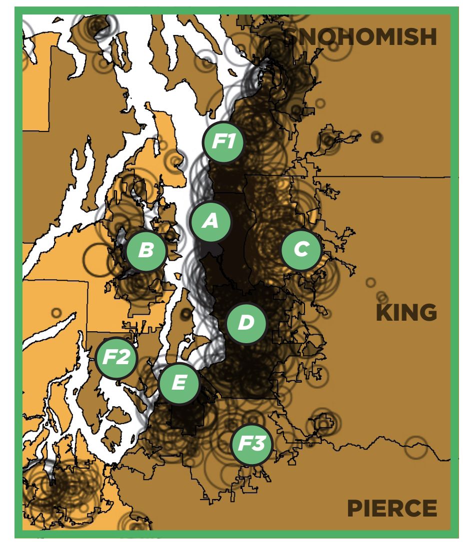
# Map 8: The majority of both subsidized housing and housing need is in the Puget Sound area




*Source of data and geographies: PUMS 2008-2012; Mullin & Lonergan*

**Subsidized Inventory and Cost-burden**

| *Total Units, '13* | *% Cost-Burdened, '11* |
|---|---|
| < 31 | < 25% |
| 31 - 50 | 26% - 30% |
| 51 - 100 | 31% - 35% |
| 101 - 300 | 36% - 40% |
| > 300 | > 41% |

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## *Unit sizes generally match the sizes of eligible households*

Across Washington in 2012, 27.7 percent of all households consisted of a single person. However, among extremely low-income households, single-person households represented a substantially larger share (55%). Accordingly, subsidized housing units designed for a single person comprise more than half of the total inventory.

*Figure 13: Most of the subsidized inventory is designed for one- or two-person households*


| Type | # | % |
|---|---|---|
| Group Home | 2,257 | 1.7% |
| Single-Room Occupancy | 1,385 | 1.0% |
| Studio | 11,490 | 8.5% |

| Type | # | % |
|---|---|---|
| One Bedroom | 54,276 | 40.4% |
| Two Bedrooms | 36,479 | 27.1% |
| Three Bedrooms | 15,645 | 11.6% |

| Type | # | % |
|---|---|---|
| Four or More Bedrooms | 3,160 | 2.4% |
| Unit Type Not Available | 9,701 | 7.2% |
| ***Total*** | ***134,393*** | ***100%*** |

Unlike the private market, the subsidized inventory does not allow for households to be "overhoused," as programs typically match participants based on household size with the smallest unit necessary to accommodate them. This is the primary reason why the subsidized inventory appears to be more appropriately matched to household size than the private market.

The demand for smaller units is greatest among households earning 30 percent or less of the area median income. More than half of households at this income level have only one person.

*Figure 14: In terms of size, the subsidized inventory generally matches households earning 80 percent or below of the area median income*

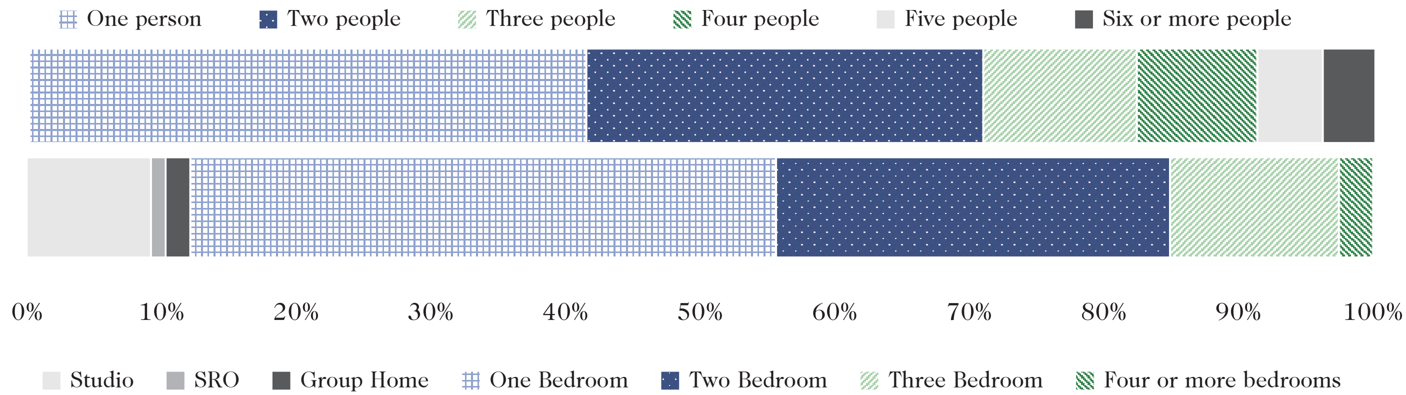
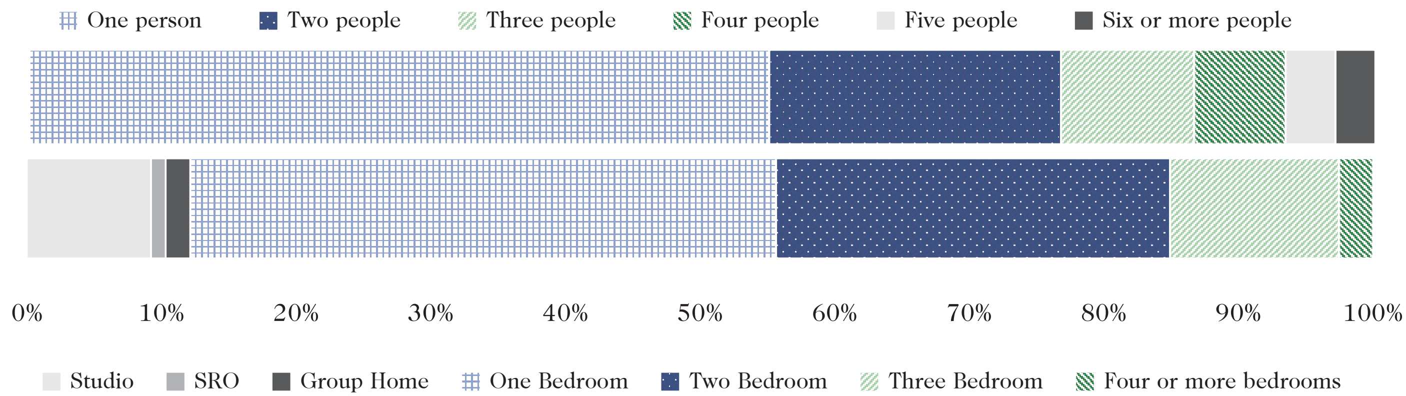



*Figure 15: In terms of size, the subsidized inventory matches very well with households earning 30 percent or below of the area median income*



## Different programs address need across the income spectrum

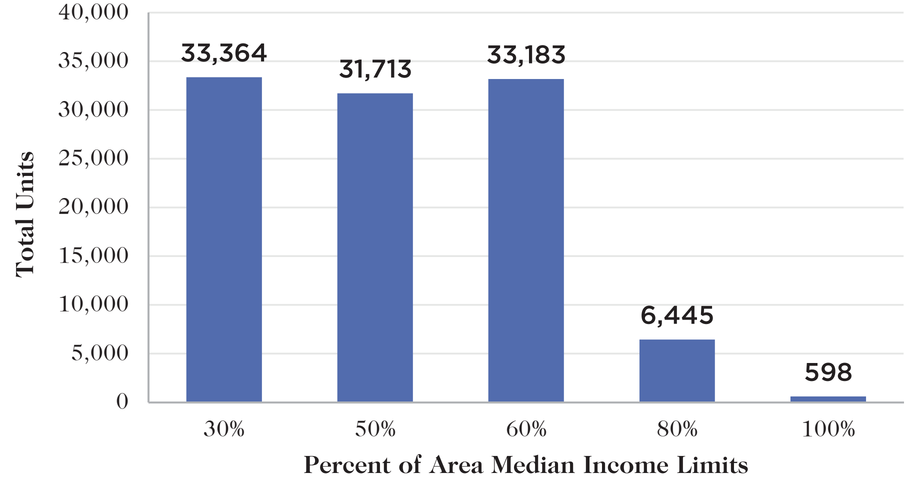
Program design drives differences in the income levels targeted at each site. Developers of bond and tax credit projects generally set aside all of the units for households earning 60 percent of the area median income. Public and project-based Section 8 housing is available to households making 80 percent or less of the area median income, though it is commonly further set aside for lower income tiers.

The HOME program, as it applies to rental housing, uses income targeting and qualification requirements at 60 percent of the area median income. Public housing authorities account for the largest share of the inventory restricted to households making 30 percent or less of the area median income.

The Department of Commerce administers the Housing Trust Fund and HOME program funds, while some cities and counties administer their local HOME allocations, other grant programs and locally sourced affordable housing funds.

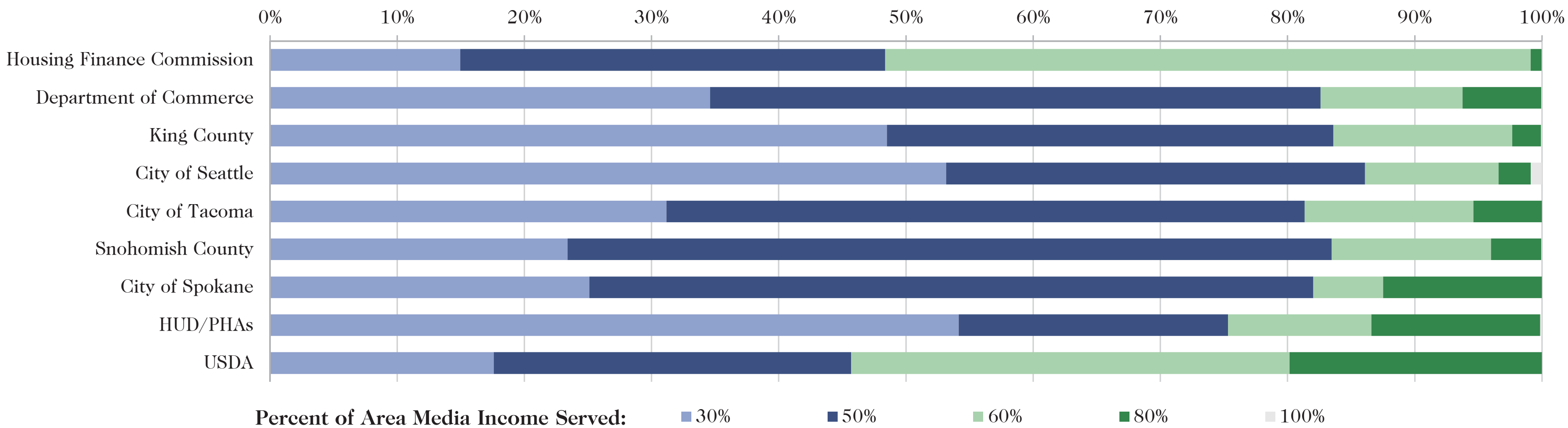
As it appears here, HUD funding includes all units owned and/or operated by public housing authorities and units funded under the HUD 202, 811, HOPE IV and other multi-family programs. Many sites have multiple funders.

*Figure 16: Most programs target households at 60 percent or below of the area median income*




*Note: Income limits between these marks (example: 45%) were added into the next highest category. The total of 107,851 includes all units for which income limit was reported.*

*Figure 17: Funders focus their resources on different segments of need*



# Eligible households vastly outnumber available units

Not all low-income households need a subsidy to maintain affordable housing, and this inventory does not account for every type of subsidy. However, the difference between the number of subsidized units and the universe of households that could qualify to occupy them is substantial.

Statewide, 25.4 percent of renter households earn 30 percent or below of the area median income (see *Chapter 5: Cost Burden*). However, the number of subsidized units programmatically available to these households, which includes units set aside for higher incomes, would house only 50.5 percent of them. Furthermore, 66.9 percent of households in this category are also severely cost-burdened.

The trend carries through higher income bands as well. The units programmatically available to households earning 30 percent to 50 percent of the area median income would house 40.4 percent of these renter households – a figure that also assumes that no households earning less than 30 percent fill these units.

*Figure 18: The subsidized inventory is not large enough to accommodate all eligible households*

| % of Median Family Income | Subsidized Units for which HH Qualifies # | Subsidized Units for which HH Qualifies % | Statewide Renter Households | Cost-Burdened Renter HHs* | Severely Cost-Burdened Renter HHs** |
|---|---|---|---|---|---|
| 0% - 30% | 105,253 | 100.0% | 208,620 | 25,865 | 139,565 |
| 30% - 50% | 65,192 | 61.9% | 161,435 | 79,035 | 49,380 |
| 50% - 80% | 6,924 | 6.6% | 189,615 | 76,325 | 12,580 |
| 80% - 100% | 598 | 0.6% | 261,900 | 10,740 | 1,645 |

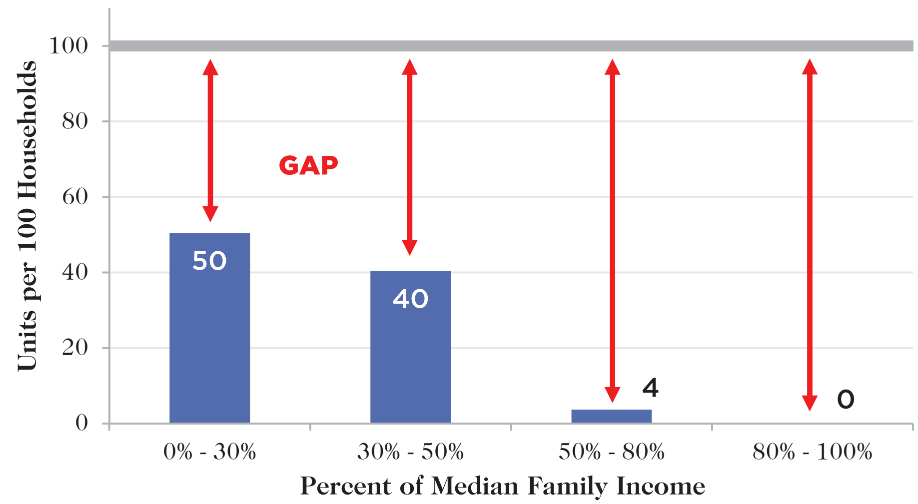
** housing costs are 30% - 50% of household income | ** housing costs are >50% of household income*
*Note: Income limits have no floor. For example, a household at 30% of the area median income would qualify for a unit limited to 80% or below.*

Units at the corresponding set aside could only accommodate 3.7 percent of renter households that earn 50 percent to 80 percent of the area median income.

# There are not enough units for all cost-burdened renters

Cumulatively, there were 104,655 subsidized units available to 559,670 renter households earning less than 80% of the median family income across Washington. Of these total households, 68.4 percent were cost-burdened and 36.0 percent were severely cost-burdened. An additional 455,015 units of subsidized housing would be required to provide all low-income Washington renters, regardless of cost burden, with an affordable place to live.

*Figure 19: Only 50 subsidized units exist for for every 100 households in the lowest income band*



# Resident Characteristics

Information about 76,413 households living in subsidized housing was available for units funded through the Department of Commerce, the Housing Finance Commission and local governments that use WBARS as a reporting system. The data provide a snapshot of tenants as of December 31, 2013.

## *One-eighth of households in subsidized units also use a voucher*

Households with a tenant-based Section 8 voucher may move to any unit with a rent price, including utilities, that is within the payment standard determined by the agency issuing the voucher. Typically, the dollar amount of a voucher is based on either the 40th or 50th percentile of rents charged for standard rental housing in a given region.

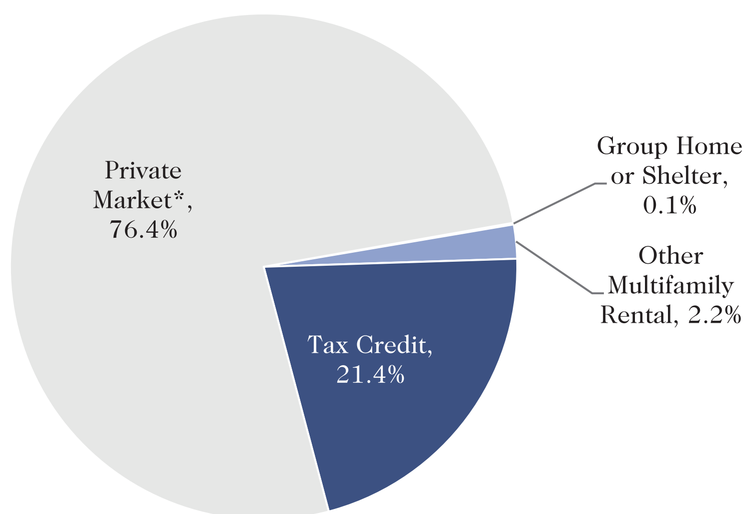
This number is the fair market rent assigned by HUD, though public housing authorities have some latitude in assigning payment standards by bedroom size and setting policies to pay between 90 percent and 110 percent of the HUD fair market rent. An authority might decide to pay 110 percent in an area where voucher holders encounter difficulty finding suitable units at the HUD rent level.

The state's 38 housing authorities reported a total of 40,169 tenant based Section 8 vouchers in use as of December 31, 2013. The vast majority of these tenants use the vouchers to rent units in the private sector. About one-quarter of these tenants use the vouchers in housing financed by state or local funders.

Rental vouchers are often used to help support the operating costs of affordable housing financed by state or local funders. This is because federal guidelines allow owners to collect the approved rents for the affordable unit or the HUD established fair market rent for the area, whichever is higher. In some cases, the additional rental income is used to provide supportive services to the renters in the development that need them.

In the WBARS inventory, 9,498 households (12.5%) used a tenant-based Section 8 voucher. Of these, about 89 percent earned 30 percent or less of the area median income. The average gross income for a voucher holder was $12,611, compared to $18,721 across all inventory households.

*Figure 20: Most households who receive a voucher use it in the private market*




** May include vouchers used in a small number of eligible publicly assisted units not accounted for in WBARS records*

## *Federal income qualifications are flexible*

As noted previously, most affordable housing programs have tenant income qualifications tied to household size and percentages of area median income. In almost all cases, tenants qualify on the basis of income at the time of their initial occupancy. Nearly all of the state and local programs monitor whether tenants are in compliance with meet the income guidelines for the unit they will occupy.

However, federal guidelines allow tenants whose income increases after they occupy the unit to continue to occupy affordable units even though their income may increase beyond the initial qualification amount. The purpose of this is to allow the household to stabilize its situation and prevent displacement until it is prepared to move to transition to non-subsidized housing. According to the data on households in subsidized units, 5,870 across the state appear to be in this situation.

# Changes in the Inventory

## More than 12,600 units are at risk

Approximately 12,600 affordable housing units in the state are at risk of loss between 2014 and 2017.[1] In the absence of resyndication or another form of intervention to preserve affordability, these federally subsidized units under Section 8 rental assistance contracts could be lost from Washington's inventory.

A loss of these units would be equivalent to 10.7 percent of the current inventory affordable to households earning less than 80 percent of the area median income.

1. These data were drawn from a National Housing Trust summary of HUD project-based subsidy contract monthly reports. It does not include annual renewals. It is unclear whether other regulatory agreements apply in individual cases, or what portion is state or locally supported.

## The state works hard to preserve and create units

Based on a study conducted by the Housing Finance Commission, state and local housing programs have successfully preserved three out of four affordable units that were previously at risk of loss.

The Department of Commerce and the Housing Finance Commission provided data on units funded and/or in development. These sources include projects funded by the Housing Trust Fund, tax credits, bonds and other resources managed at the state and local level.

An unduplicated total of 7,303 units under development as of December 31, 2013, included 7,066 reserved for low-income households. Over half of these units (3,883) are in large projects (over 100 units each) funded through the 4% bond program.

The size breakdown of units under development is roughly similar to the breakdown across the existing subsidized housing inventory. The number of units set aside by income level also reflects program regulation and funder priorities. The data presented here include many developments involving setasides at 50 percent and 60 percent of the area median income.

Although data are not available to describe the volume or type of some HUD-funded construction projects, sharp reductions in funds available through these programs suggest that they will not create units at a pace consistent with prior years.

*Figure 23: Most new subsidized units will have one or two bedrooms*

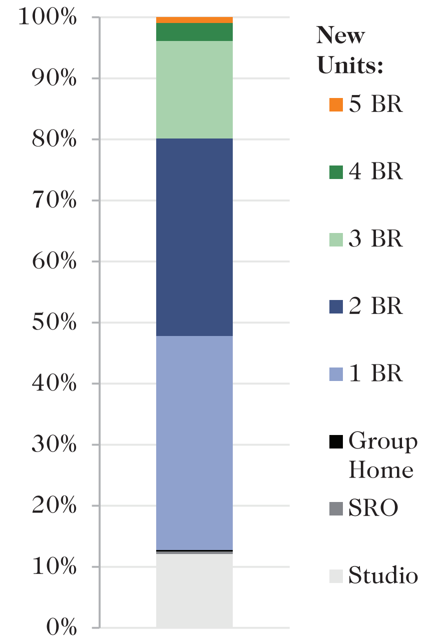



*Figure 22: All identified projects in progress will serve households earning 60 percent or less of the area median income*

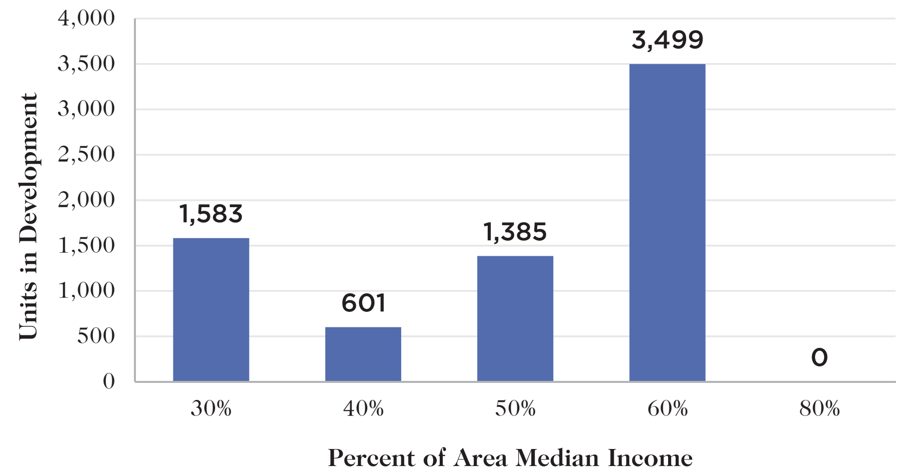



*Figure 21: Elderly, family and rural projects face conversion*

| Funding Source | Units at Risk of Loss by 2017 |
|---|---|
| Section 8 | 5,367 |
| Section 202 | 1,063 |
| Section 515 | 6,233 |
| ***Total*** | ***12,663*** |

# Other Assisted Housing

There are supplies of subsidized housing that were not incorporated into the general inventory because data were incompatible or unavailable. Specifically, these include seasonal housing for farmworkers, housing owned and/or operated by Native American tribal groups and shelters for the homeless.

To the extent that it was available, information on the supply of subsidized housing for farmworkers and tribes appears here, while data on housing supply for the homeless appear in *Chapter 5: Cost Burden*.

## The state has targeted efforts to meet the needs of farmworkers...

Farm employment across Washington totaled 81,306 in 2011.[1] About half of agricultural jobs in the state are seasonal. Peak monthly farm employment in 2012 was 92,840 in July, corresponding to the cherry harvest. Agricultural work is concentrated in central Washington, with the Yakima County and Wenatchee County areas accounting for 39.7 percent of the state's agricultural employment.

Farmworkers typically earn incomes far below local medians. In 2011, the average annual income for a worker in production agriculture was less than half of the state median. As reported by the Employment Security Department, the median hourly wage for workers in all agricultural industries was $13.38 per hour, compared to $21.59 across all industries.

A 2012 study identified challenges distinct to housing farmworkers, particularly their mobility, low incomes and the language and cultural issues shared by many recent immigrants.[2] Further, the study described housing needs for both local and seasonal non-local workers. The study defined an unmet need of 15,000 units affordable to this population, which had an average income of $19,400 for a family of four.

Factoring in dependents and the existing supply of units in heavily agricultural areas, the study also identified an unmet need of 36,200 beds for non-local workers and their families during peak season.

According to an inventory conducted for the farmworker housing study and data maintained by the Department of Commerce, the state has invested in the creation of more than 9,500 seasonal beds for migrant farmworkers. In addition, investments by the Department of Commerce and the Housing Finance Commission have created more than 1,600 units of permanent housing for local farmworkers.

## ...and leveraged grants to create housing for tribes

Native American tribes face special challenges in meeting the housing needs of lower-income households, including rural isolation and the persistently low incomes of those living on reservations. They also face programmatic limitations such as the difficulty of combining funds across different federal sources. In 2012, 33.6 percent of owners and 43.8 percent of renters living on 27 reservations across Washington were cost-burdened.

The federal government channels funds through HUD's Office of Native American Programs to create affordable housing for members of tribes. The formula-based Indian Housing Block Grant and the Title VI Loan Guarantee allow tribes to self-determine the planning, design, construction and maintenance of affordable housing in their communities.

According to HUD's Office of Native American Programs, the block grant program has facilitated the creation of at least 3,400 affordable tribal housing units in Washington since 1996. Additionally, the Indian Community Development Block Grant provides up to $500,000 per tribe on a competitive basis. And USDA Rural Development connects households and tribes to resources for the purchase and preservation of affordable housing.

Tribes often partner with state agencies to access resources that help them meet their housing goals. To date, the Housing Finance Commission has allocated more than $97 million in tax-credit equity and the Department of Commerce has awarded $8.7 million in capital to a total of 14 tribes in support of 30 affordable housing projects across the state.

1. "2012 Agricultural Workforce Report." Washington Economic Security Department, December 2013.

2. "On Common Ground: Meeting the Need of Farmworker Housing in Washington State." Cedar River Group, December 2012.

*Figure 24: Tribal Tax-Credit Projects facilitated by WSHFC, 2000-2013*

| Year | Project | City | County | Developer | Units |
|---|---|---|---|---|---|
| 2000 | Lummi Homes I | Bellingham | Whatcom | Lummi Tribal Housing | 24 |
| 2002 | Spokane Homes I | Ford | Stevens | Spokane Indian Housing Authority | 25 |
| 2003 | YNHA Tax Credit 1R | Wapato | Yakima | Yakama Nation Housing Authority | 25 |
| 2005 | Nooksack Homes II | Nooksack Reservation | Whatcom | Nooksack Tribal Housing Authority | 24 |
| 2005 | Nooksack Homes I | Everson | Whatcom | Nooksack Indian Tribe Housing Department | 24 |
| 2005 | YNHA Tax Credit 2R | Wapato | Yakima | Yakama Nation Housing Authority | 25 |
| 2006 | Nooksack Homes III | Deming | Whatcom | Nooksack Indian Tribe Housing Department | 22 |
| 2006 | Nooksack Homes IV | Deming | Whatcom | Nooksack Indian Tribe Housing Department | 15 |
| 2006 | Tulalip Homes I | Tulalip | Snohomish | Tulalip Tribes | 25 |
| 2007 | Tulalip Homes II | Tulalip | Snohomish | Tulalip Tribes Housing Department | 25 |
| 2007 | Colville Homes I | Nespelem | Okanogan | Colville Indian Housing Authority | 25 |
| 2008 | Qui Nai Elt Homes I | Taholah | Grays Harbor | Quinault Housing Authority | 35 |
| 2008 | Tulalip Homes III | Tulalip | Snohomish | Tulalip Tribes Housing Department | 66 |
| 2008 | Wanity Park Apartments - Phase I | Toppenish | Yakima | Yakama Nation Housing Authority | 29 |
| 2009 | Colville Homes II | Inchelium | Ferry | Colville Indian Housing Authority | 20 |
| 2009 | Lower Elwha Homes I | Port Angeles | Clallam | Lower Elwha Housing Authority | 20 |
| 2009 | Wanity Park Apartments - Phase II | Toppenish | Yakima | Yakama Nation Housing Authority | 25 |
| 2011 | Adams View | Wapato | Yakima | Yakama Nation Housing Authority | 68 |
| 2011 | Spokane Tribal Homes II | Multiple cities | Stevens | Spokane Indian Housing Authority | 40 |
| 2012 | Lower Elwha Homes II | Port Angeles | Clallam | Lower Elwha Housing Authority | 25 |
| 2013 | Eagle Nest | Omak | Okanogan | Colville Indian Housing Authority | 20 |
| 2013 | Skokomish Homes I | Skokomish | Mason | Skokomish Tribe | 20 |
| 2013 | Sail River Longhouse | Neah Bay | Clallam | Makah Tribal Housing Department | 21 |
| | | | | *Total* | *648* |

# HOUSING NEED: AFFORDABILITY GAP

4

An affordability gap analysis compares household size and income to housing units using a common definition of "affordability." An affordable housing gap, put simply, is the difference between the number of households and the housing units that are affordable and available to them based on their income.

Understanding the level of affordability of the current housing supply is a critical component to understanding housing need. This method can identify problems within both owner and renter affordability levels and expose regional trends that may otherwise go unnoticed. This analysis also incorporates projected data, showing the anticipated deficiencies in the future housing supply.

The analysis in this chapter will determine:

» The number of additional housing units that are needed to meet current need for affordable housing throughout the state

» The availability of affordable housing for both renters and homeowners

» The expected change in housing demand by income level by 2020

The following results represent the conclusions drawn from a multi-step process. The full analysis, including results for each county and urban area, is presented in ***Appendix D*** and the ***Housing Need Geographic Profiles.***

## Summary of Affordable Housing Gap

An affordable housing gap is the difference between the number of households earning a specific income and the housing units that are ***both affordable and available*** to them.

Housing is ***affordable*** if a household can pay for it with 30 percent or less of their income. Housing is ***available*** to a specific group if it is vacant and priced affordably, or if it is currently occupied by a household at or below the defined income threshold.

A gap between the supply of and need for affordable housing represents households in the state who are paying more for housing than they can reasonably afford.

Households were divided into categories based on how their incomes compare to a HUD-published median family income. Before comparing households to the housing supply, the income of each individual household was adjusted based on household size, and housing costs were adjusted based on housing unit size (i.e., number of bedrooms). For a detailed explanation of the gap analysis methodology, see ***Appendix D***.

*Figure 25: The gap analysis uses two income thresholds for comparison*

| % of Median Family Income | Annual Income Threshold | Maximum Affordable Monthly Housing Cost |
|---|---|---|
| 30% | $21,870 | $547 |
| 50% | $36,450 | $911 |

NOTE: These ranges were calculated based on the family-adjusted median income for the entire state, which was $72,900 in 2012. Calculations for specific geographic regions (including all maps) used the median family income for each specific region.

## There is a lack of affordable housing for low-income households

There is a statewide deficit of 253,375 units that are affordable and available to households earning 30 percent or below of the median family income.

To put this in perspective, there are only about 28 units of affordable housing per 100 households at this income threshold. This also means that 72 of these 100 households are cost-burdened, paying more for housing than they can reasonably afford, as discussed in *Chapter 5: Cost Burden*.

As household incomes increase up to the 50 percent of median family income level, more housing choices become available and the gap shrinks.

It is important to understand how an affordable housing gap is calculated as income thresholds increase. For the lowest income category (30 percent or below of the median family income), the gap is comprised of households who are cost-burdened and pay more for housing than is affordable to them.

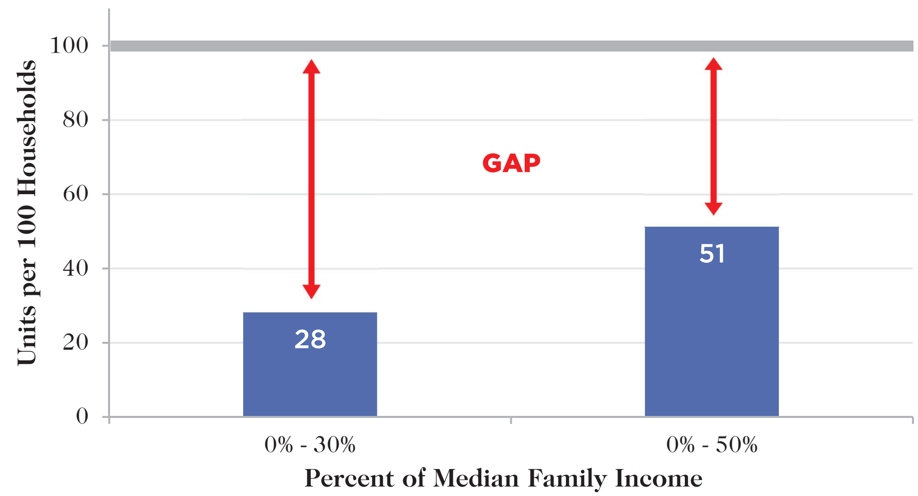
Stepping up the income threshold to the next highest level (50 percent or below of the median family income) may define some of those previous "gap" households as living in units that, while actually unaffordable to them, are technically affordable at the 50 percent of the median family income level.

For instance, a household earning 25 percent of the median family income living in a unit affordable at 45 of percent the median family income would count toward the gap in the first category, but not the next.

*Figure 26: There is a statewide deficit of affordable and available housing units*

| % of Median Family Income | Households | Affordable & Available Units | Gap |
|---|---|---|---|
| 0% - 30% | 353,472 | 100,098 | *-253,375* |
| 0% - 50% | 672,946 | 345,811 | *-327,136* |

*Figure 27: There are 28 affordable units available for every 100 households earning 30 percent or below of the median family income*




NOTE: Most of the gap calculations in this chapter use statewide data. However, there are meaningful differences in the household characteristics and housing markets for the distinct regions of the state. These differences can create significant variations among the locally-specific gap calculations. County- and urban-level gap calculations are included in *Appendix D* and in a companion document, ***Housing Need Geographic Profiles.***

## *There are only 29 units affordable and available for every 100 renter households earning up to 30% of the state's median family income*

Washington's affordable housing gap between renter households and renter-occupied units follows a similar trend to the overall statewide gap.

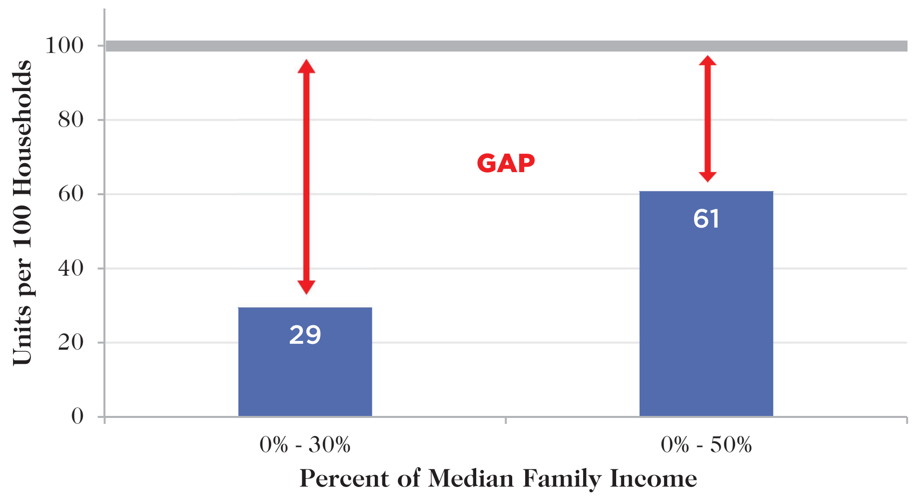
Households earning just 30 percent of the median family income and below face serious challenges for finding affordable housing. There are only 29 units affordable and available for every 100 of these households.

The gap per 100 households is slightly smaller at 50 percent of the median family income.

*Figure 28: There is a statewide deficit of affordable and available renter-occupied housing units*

| % of Median Family Income | Renter Households | Affordable & Available Units | Gap |
|---|---|---|---|
| 0% - 30% | 239,711 | 70,707 | ***-169,004*** |
| 0% - 50% | 411,112 | 250,020 | ***-161,093*** |

*Figure 29: There are 29 affordable units available for every 100 renter households earning 30 percent or below of the median family income*



# *Affordable homeownership is not available for the lowest-income households*

The affordable housing gap between homeowner households and owner-occupied units follows a similar trend to the overall statewide homeownership gap.

However, while there are 61 affordable and available homes for every 100 renter households earning 50 percent or less of the median family income, there are only 41 homes for every 100 homeowner households. This is also less than the 51 units for all households statewide.

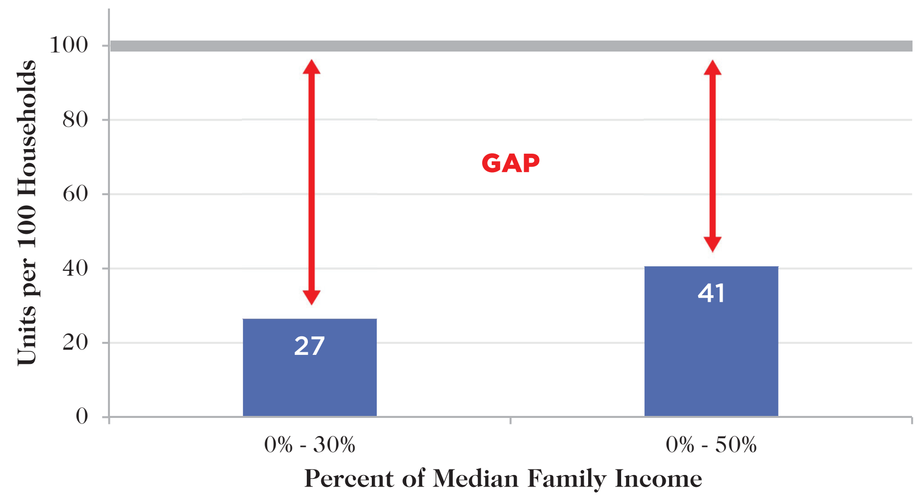
This is to be expected, given that renting is generally more affordable than homeownership in Washington. The median home sales price in the state in 2012 was $234,200, but the median income renter could only afford a home priced at $145,201, a 38 percent difference (see ***Chapter 3: Defining Affordability***).

Whereas only 18 percent of renter households earn above the family-adjusted median income, 50.5 percent of homeowner households earn more than the median family income. As expected, most homeowners in Washington earn more than the median because it takes a higher income to afford to buy a home.

*Figure 30: There is a statewide deficit of affordable and available owner-occupied housing units*

| % of Median Family Income | Homeowner Households | Affordable & Available Units | Gap |
|---|---|---|---|
| 0% - 30% | 113,762 | 30,184 | *-83,578* |
| 0% - 50% | 261,834 | 106,665 | *-155,169* |

*Figure 31: There are 27 affordable units available for every 100 homeowner households earning 30 percent or below of the median family income*



## *Affordable housing deficits are concentrated around high-cost urban areas*

The diverse local characteristics of Washington's housing market result in housing gaps that vary by location. A gap can reflect income levels that cannot keep pace with local prices or a lag in supply compared to growth in households within a certain income category.

A gap also occurs in the lowest income categories when higher-earning households occupy units that would be affordable to lower-earning households. The mix of units, prices, households and incomes in a given area determines its gap.

Across the state, a greater prevalence of cost burden, defined as paying more than 30 percent of household income toward housing costs, is strongly correlated to a greater affordable housing gap (see *Chapter 5: Cost Burden*).

The high-cost Puget Sound region as well as counties tracing the state's southern border and southeastern side are the places with the fewest affordable and available units for renter households making 30 percent or less of the median family income.

A gap for renters in the Puget Sound area is primarily a function of price, as this area represents the greatest and most severe concentration of cost burden. Price also drives the gap for renters in suburban Vancouver-Portland. The state's highest median rents are found in these areas.

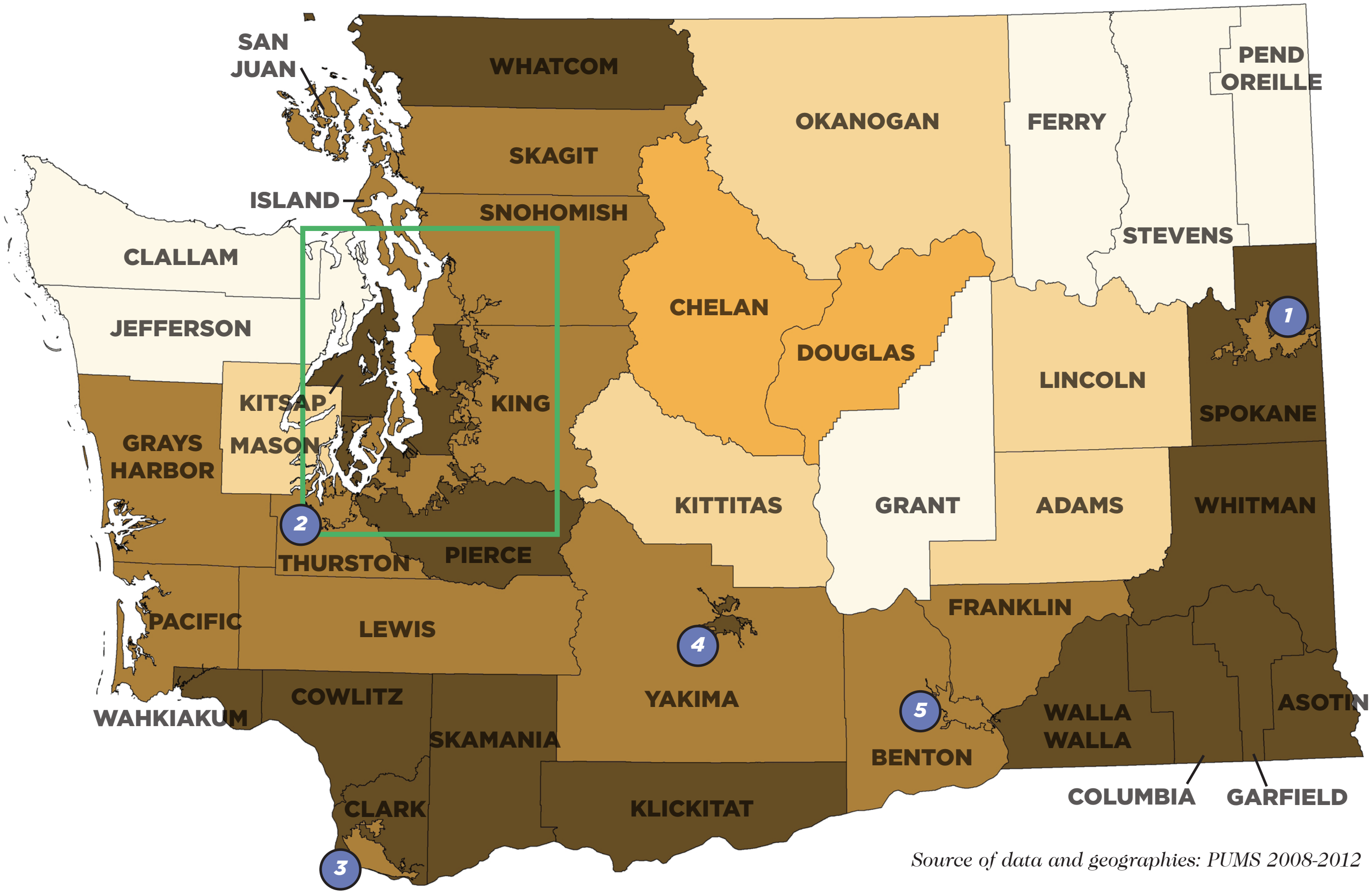
In response to greater need in King County and the level of funding that has been made available to address it, the county contains a concentration of subsidized units, many of which are located in Seattle. While the number of cost-burdened households earning 30 percent or less of the median family income is exceptionally high in Seattle, the relief provided by units set aside for this group accounts for the gap for the lowest-income renters being lower in Seattle than in surrounding areas.

There are very few homeowners in any area of the state earning 30 percent or less of the median family income, as a low income is a strong obstacle to building the credit and down payment necessary to secure a mortgage. For the lowest income category, the fewest affordable homes are available in and immediately surrounding the Seattle urbanized area, where only about five units would be options for every 100 households.

While household incomes are generally higher in the Puget Sound area than elsewhere in the state, high demand continues to press the price of ownership out of the reach of its lowest-income households.

Broadening the category to include all homeowners earning 50 percent or less of the median family income, more units per 100 households are typically affordable and available, which reflects a larger number of households earning between 30 percent and 50 percent of the median family income achieving home ownership. It is particularly difficult to afford a home in urban areas such as Puget Sound and Vancouver.

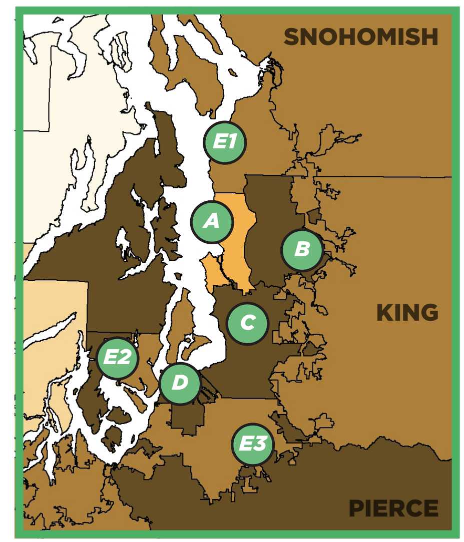
## Map 9: Extremely low-income renters face the largest gaps in the Puget Sound, Vancouver and south eastern regions




*Source of data and geographies: PUMS 2008-2012*

**Affordable and Available Housing for Every 100 Renter Households Earning 0-30% of the Median Family Income, 2012**

- 25 or less
- 26 - 30
- 31 - 35
- 36 - 40
- 41 or more



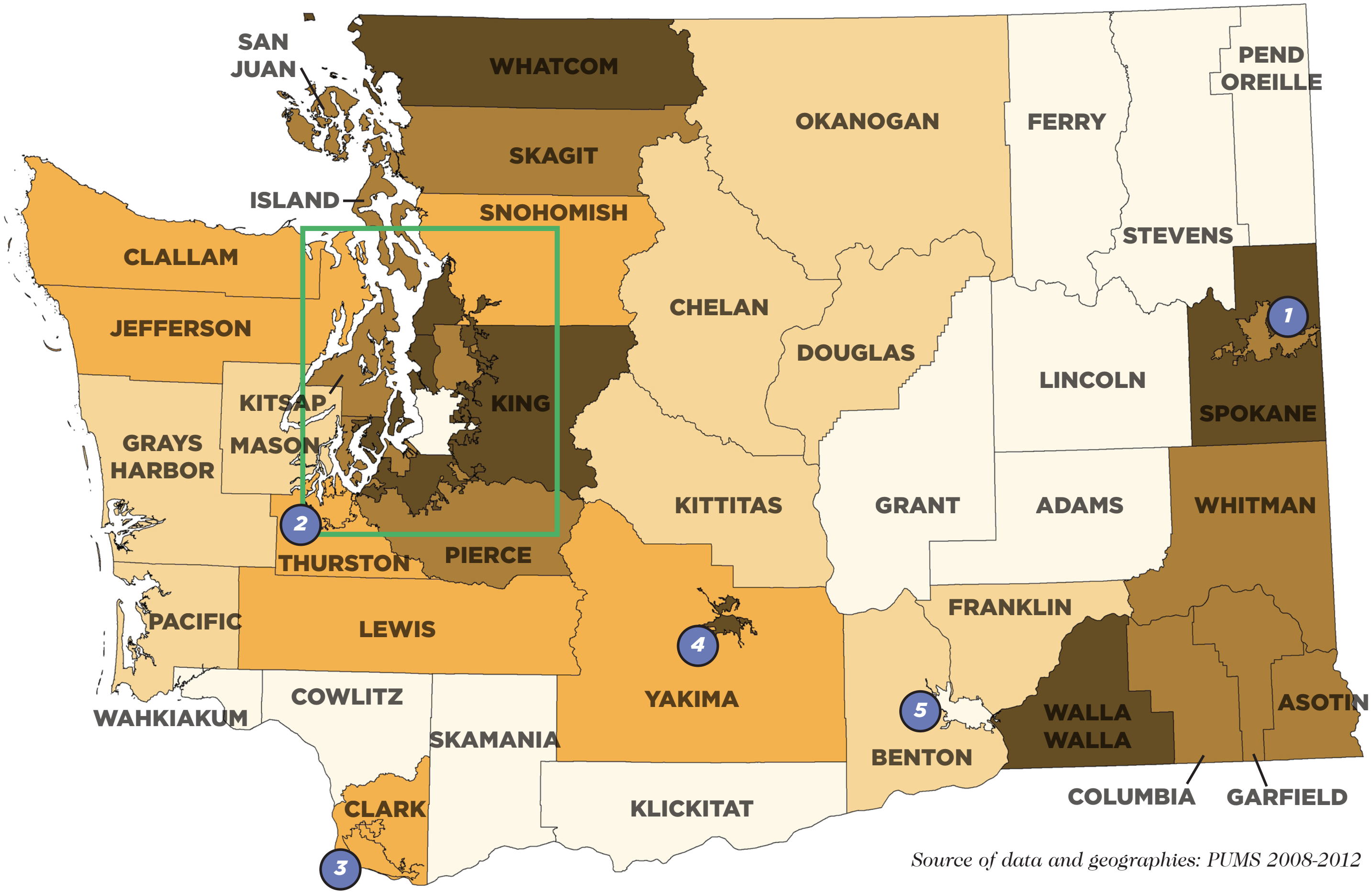

### Urbanized Areas

1. Spokane, WA
2. Olympia–Lacey, WA
3. Vancouver, WA
4. Yakima, WA
5. Kennewick–Pasco, WA

### Urban Puget Sound

A. City of Seattle
B. East King County
C. South King County
D. City of Tacoma
E. Seattle Urbanized Area (multi-part)

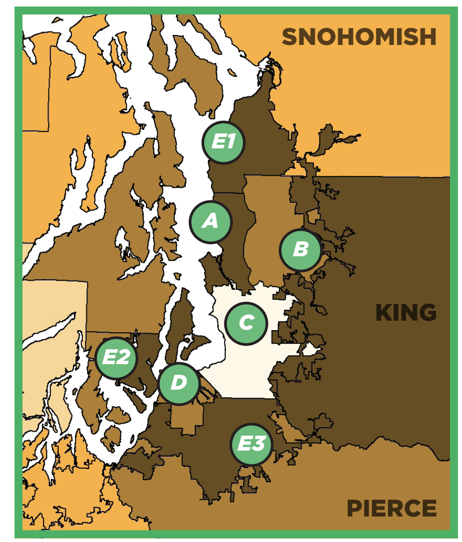
# Map 10: The gap for extremely low-income homeowners is largest in urban areas




*Source of data and geographies: PUMS 2008-2012*

**Affordable and Available Housing for Every 100 Homeowners Earning 0-30% of the Median Family Income, 2012**

- 5 or less
- 6 - 8
- 9 - 11
- 12 - 14
- 15 or more



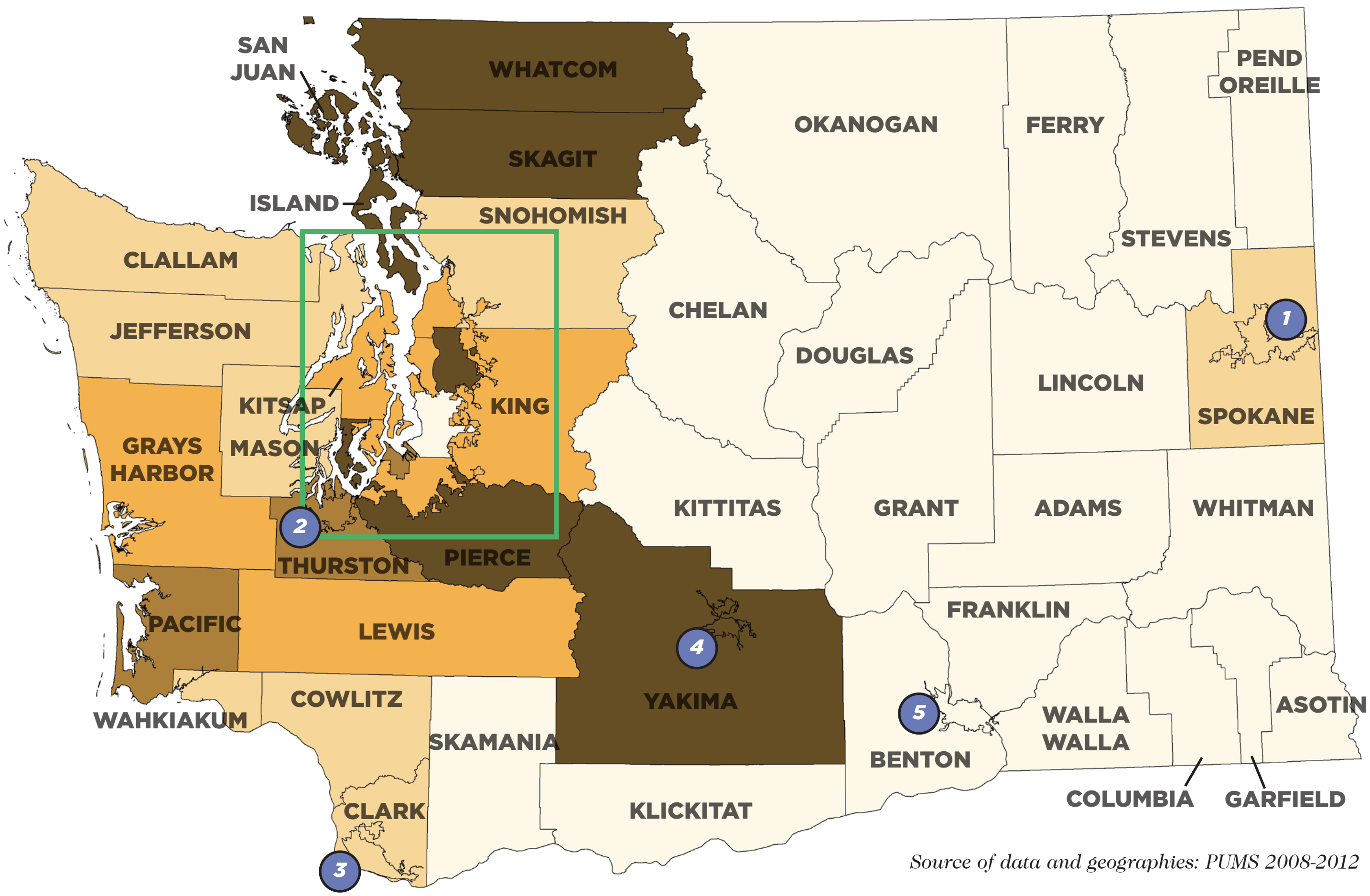

## Urbanized Areas

1. Spokane, WA
2. Olympia–Lacey, WA
3. Vancouver, WA
4. Yakima, WA
5. Kennewick–Pasco, WA

## Urban Puget Sound

A. City of Seattle
B. East King County
C. South King County
D. City of Tacoma
E. Seattle Urbanized Area (multi-part)

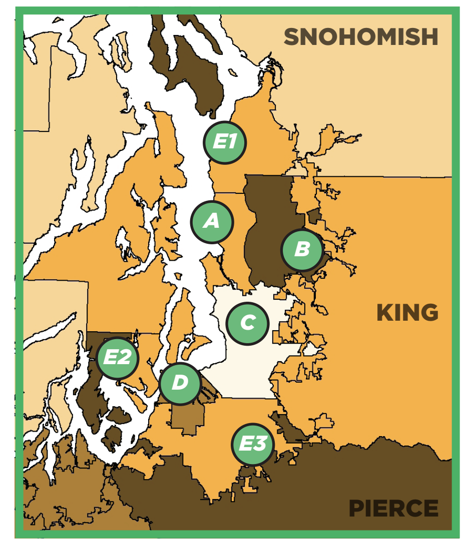
## Map 11: Moving to the next higher income threshold reduces the gap for renters statewide




**Affordable and Available Housing for Every 100 Renter Households Earning 0-50% of the Median Family Income, 2012**

- 50 or less
- 51 - 55
- 56 - 60
- 61 - 65
- 66 or more

*Source of data and geographies: PUMS 2008-2012*




### Urbanized Areas

1. Spokane, WA
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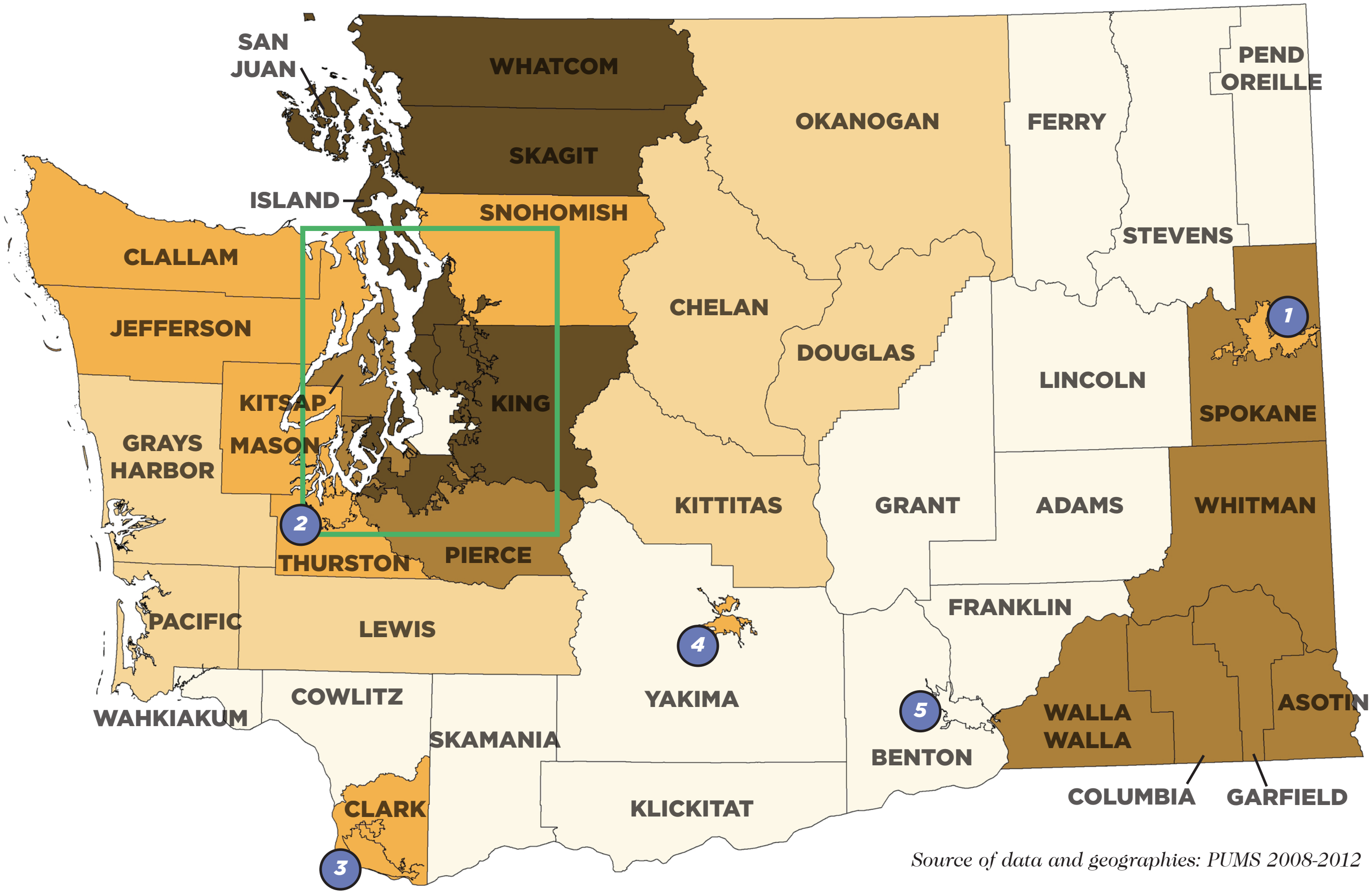
3. Vancouver, WA
4. Yakima, WA
5. Kennewick–Pasco, WA

### Urban Puget Sound

A. City of Seattle
B. East King County
C. South King County
D. City of Tacoma
E. Seattle Urbanized Area (multi-part)

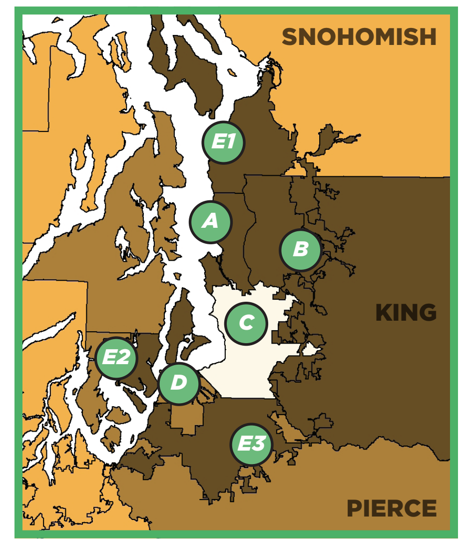
## Map 12: Homeownership is the most out of reach around Puget Sound, even for higher incomes




*Source of data and geographies: PUMS 2008-2012*

**Affordable and Available Housing for Every 100 Homeowners Earning 0-50% of the Median Family Income, 2012**

- 15 or less
- 16 - 20
- 21 - 25
- 26 - 30
- 31 or more




### Urbanized Areas

1. Spokane, WA
2. Olympia–Lacey, WA
3. Vancouver, WA
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5. Kennewick–Pasco, WA

### Urban Puget Sound

A. City of Seattle
B. East King County
C. South King County
D. City of Tacoma
E. Seattle Urbanized Area (multi-part)

# New Housing Demand

## *Household size and income affect demand...*

Shrinking household size has had a serious effect on the quantity of available housing in the state. Even if a population does not grow overall, as households become smaller, the same number of people requires more homes, increasing net demand for housing.

In Washington, not only has household size decreased, but overall population has been increasing as well, creating even more demand for housing units (see *Appendix B*).

Changes in income also affect affordable housing demand. Incomes in Washington have generally increased since 1970 (see *Appendix C*). Despite this, incomes for renter households in the state over the past decade have actually decreased when accounting for inflation, unlike incomes for homeowner households.

If this trend continues, renters will have an even more difficult time finding affordable housing. A household making the median income for renters already can't afford to purchase a home almost anywhere in Washington (see *Chapter 1: Defining Affordability*).

## *...but the largest single factor is employment*

Housing demand is largely driven by growth in the number of households (discussed in *Chapter 2: Existing Housing Supply*), which in turn is driven by employment growth (discussed in *Appendix C*).

The employment growth rates across most of the state are expected to slow slightly compared to the rates over the last few decades. Employment will still grow quickly enough, however, to maintain the state's position as one of the nation's fastest-growing economies for the foreseeable future. These growth projections are driven by Washington's relatively strong job market and industry mix (see *Appendix C*).

Employment growth varies widely by county and region. The majority of new job growth has been located in the Puget Sound region, and this pattern is projected to continue over time. Population patterns follow similar trajectories.

# Forecasted Housing Gap

## *Housing units will grow slightly faster than households*

The population in Washington is expected to increase, although not evenly across all incomes. Between 2014 and 2019, forecasts show that the state will add over 158,000 households, an increase of 5.7 percent.[1] Of these additional households, 133,000 (82.1%) will earn 50 percent or less of the median family income, after adjusting for inflation.[2]

The number of housing units in the state is also projected to grow, although not quite at the same rate as households, increasing by 5.5 percent. Of these 97,000 new units, 78,000 (80.1%) will be priced affordably for households earning 50 percent or less of the median family income.

1. The Nielsen Company, 2014.
2. The future median family income is only adjusted for inflation and does not reflect other potential changes in the state's economy.

These forecasts are in line with other facts known about Washington. Households have been getting smaller (see ***Appendix B***), and incomes for renters have been flat (see ***Appendix C***). Both of these trends suggest high growth among very low-income households (who are a disproportionate share of small and renter-occupied households).

The state has added housing units faster than households since 2000 (see ***Chapter 2: Existing Housing Supply***). It has also seen an increase in building permits issued for multi-family units, which tend to be more affordable than other housing types, although are not always. These trends support the projected growth of housing units to surpass that of households, and for lower cost units to account for a significant portion.

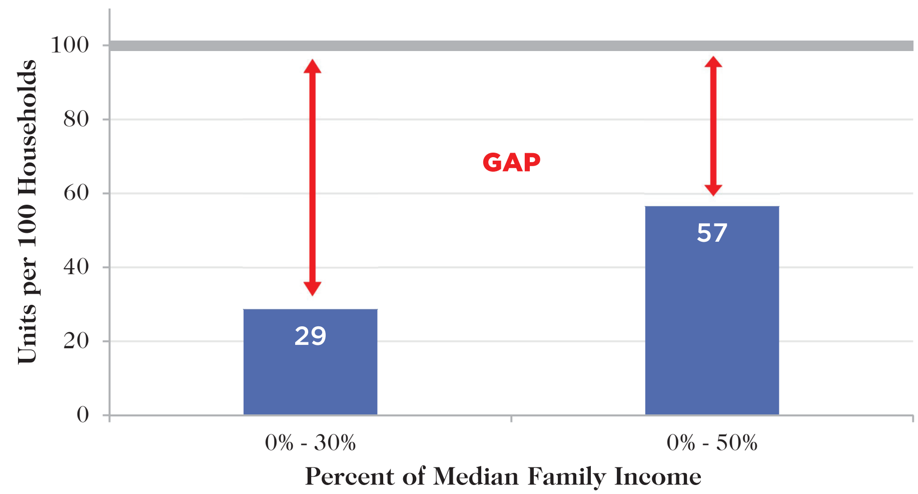
## The affordable housing gap is shrinking, but very slowly

When the forecasts are applied to the current affordable housing gap, the gap in 2019 is expected to be slightly smaller than it is today. However, at these rates it would take ***30 years*** for the current gap of affordable and available housing to disappear.

*Figure 32: The affordable housing gap is forecasted to decrease only slightly by 2019*

| % of Median Family Income | Households in 2019 | Affordable & Available Units in 2019 | Gap in 2019 |
|---|---|---|---|
| 0% - 30% | 412,108 | 118,672 | *-293,436* |
| 0% - 50% | 780,341 | 442,367 | *-337,974* |

*Figure 33: There will be 29 affordable units available for every 100 renter households earning 30 percent or below of the median family income in 2019*



# HOUSING NEED: COST BURDEN

5

Cost burden, a measure of households that pay more than they can reasonably afford for their housing, is a major component required to understand housing need. If a household pays more than 30 percent of its income on housing costs, it is considered to be cost-burdened.

In addition to cost burden, this study uses a secondary threshold, "severe cost burden," for households that spend half of their income or more on housing. Households experiencing severe cost burden may have trouble paying for even basic necessities such as food, transportation, or health care.

Certain groups are especially underserved by the private housing market due to unique barriers they face in finding and maintaining affordable, accessible housing. This makes cost burden amongst these populations both more likely and harder to overcome.

Addressing the housing needs of these special populations while at the same time assuring that they do not become cost-burdened requires outreach, planning and coordination. The private-sector housing market cannot always support these demographics adequately. Therefore, the specialized housing and assistance programs provided in Washington are critical.

The analysis in this chapter will explain:

» The level of cost burden throughout the state at different household income bands

» The differences in rates of cost burden between homeowners and renters

» The impact of cost burden on certain key populations, such as the elderly and large families

» Other special housing needs experienced by populations such as persons with disabilities, veterans, victims of domestic violence and the homeless.

# Statewide Cost Burden

## *Over one-third of Washington households are cost-burdened*

Cost burden is a substantial problem throughout Washington. Incomes for a growing group of households in the state have remained stagnant or shrunk over the past decade when compared to inflation (see *Appendix C*).

At the same time, housing costs have risen (see *Chapter 1: Defining Affordability*), meaning that many households must spend more of their income on housing even as they are earning less overall.

In 2012, more than one-third of households in Washington were spending 30 percent or more of their income on housing costs. The majority of those (67.6%) earned less than 80 percent of the median family income.

*Figure 34: Housing costs have increased at the same time that incomes have decreased*

| | 2000† | 2012 | Change |
|---|---|---|---|
| Median Household Income | $60,812 | $59,374 | *-2.4%* |
| Median Housing Value | $224,394 | $272,900 | *21.6%* |
| Median Gross Rent | $884 | $951 | *7.6%* |

*† Expressed in 2012 dollars.*

*Figure 35: Households earning less than 50 percent of the median family income are very likely to be cost-burdened*

| % of Median Family Income | Total households | In affordable units | Cost-burdened* | Severely cost-burdened** | % Cost-burdened*** |
|---|---|---|---|---|---|
| 0 - 30% | 297,775 | 63,905 | 38,635 | 195,235 | 78.54% |
| 30 - 50% | 278,455 | 77,325 | 106,750 | 94,380 | 72.23% |
| 50 - 80% | 400,845 | 202,490 | 137,605 | 60,750 | 49.48% |
| 80 - 100% | 275,350 | 177,130 | 77,770 | 20,450 | 35.67% |
| >100% | 1,350,135 | 1,145,450 | 180,880 | 23,805 | 15.16% |
| *Total* | *2,602,560* | *1,666,300* | *541,640* | *394,620* | *35.97%* |

*Source: CHAS 2007-2011*

*Figure 36: The cost burden analysis uses four income thresholds*

| % of Median Family Income | Annual Income Threshold | Maximum Affordable Monthly Housing Cost |
|---|---|---|
| 30% | $21,870 | $547 |
| 50% | $36,450 | $911 |
| 80% | $58,320 | $1,458 |
| 100% | $72,900 | $1,823 |

NOTE: These ranges were calculated based on the family-adjusted median income for the entire state, which was $72,900 in 2012.

** housing costs are 30% - 50% of household income | ** housing costs are >50% of household income | *** housing costs are >30% of household income*

## *The lowest income levels are the most cost-burdened*

In general, the less a household earns, the more likely that household will be cost-burdened.

Relative to the number of households within each income band, extremely low-income households (30% or less of the median family income) were the most cost-burdened. Very low-income (30% to 50% of the median family income) households experienced cost burden at only a slightly lower rate.

Cost burden is also more acute among the lowest earning households. There were more than twice as many severely cost-burdened extremely low-income households in the state than very low-income ones, despite both income bands having comparable total numbers.

The finding that extremely low-income households typically experience cost burden to a greater degree holds true throughout this analysis.

*Figure 37: Cost burden is a problem for all households earning below the median family income*

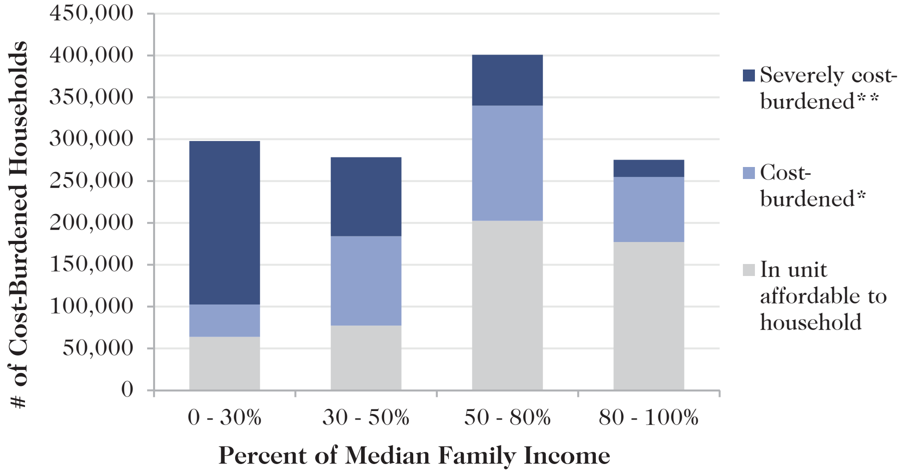
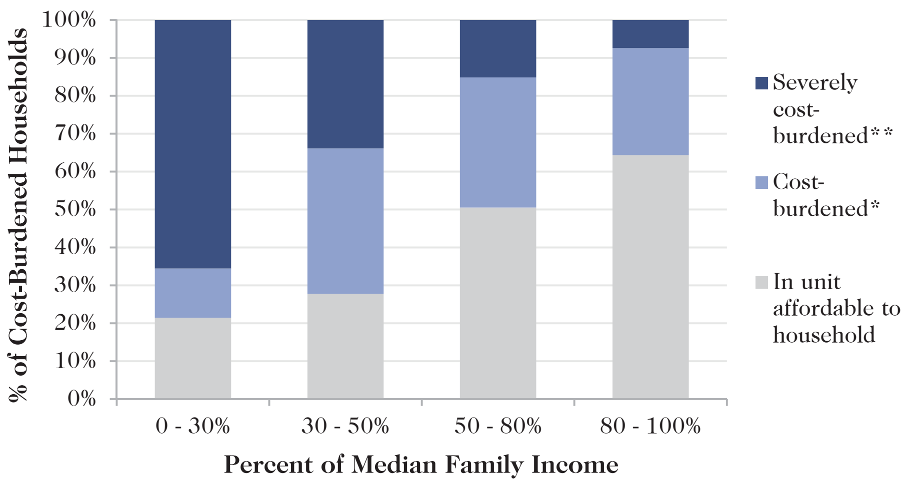



*Figure 38: Extremely low-income households experience the most severe cost burden*




** housing costs are 30% - 50% of household income | ** housing costs are >50% of household income*

# Tenure and Cost Burden

## *The lowest income homeowners experience the highest rate of cost burden*

Homeownership is generally not affordable for those earning the state's lowest incomes (see *Chapter 1: Defining Affordability*). As a result, homeowners in Washington typically earn more than renters (see *Appendix C*).

Therefore, households in lower income bands are less likely to be homeowners than those in a higher band. The result is that there are almost twice as many homeowners in the low- and moderate-income bands (50% to 100%) than in the extremely low- and very low-income bands (0% to 50%).

Because there are more low- and moderate-income homeowners in the state, there are also more of these cost-burdened homeowners than extremely low- and very low-income cost-burdened homeowners.

When comparing relative cost burden, though, there are far more extremely low-income homeowners than moderate-income ones. Extremely low-income households have both the highest level and severity of cost burden among all homeowners in the state.

*Figure 39: Almost twice as many homeowners earn 50-100 percent of the median family income than below 50 percent...*

| % of Median Family Income | Homeowner households | In affordable units | Cost-burdened* | Severely cost-burdened** | % Cost-burdened*** |
|---|---|---|---|---|---|
| 0 - 30% | 89,155 | 20,715 | 12,770 | 55,670 | 76.77% |
| 30 - 50% | 117,020 | 44,305 | 27,715 | 45,000 | 62.14% |
| 50 - 80% | 211,230 | 101,780 | 61,280 | 48,170 | 51.82% |
| 80 - 100% | 170,605 | 92,910 | 59,020 | 18,675 | 45.54% |
| >100% | 1,088,235 | 895,935 | 170,140 | 22,160 | 17.67% |
| *Total* | *1,676,245* | *1,155,645* | *330,925* | *189,675* | *31.06%* |

*Source: CHAS 2007-2011*

*Figure 40: ...so there are more total cost-burdened homeowners in the two highest income bands...*

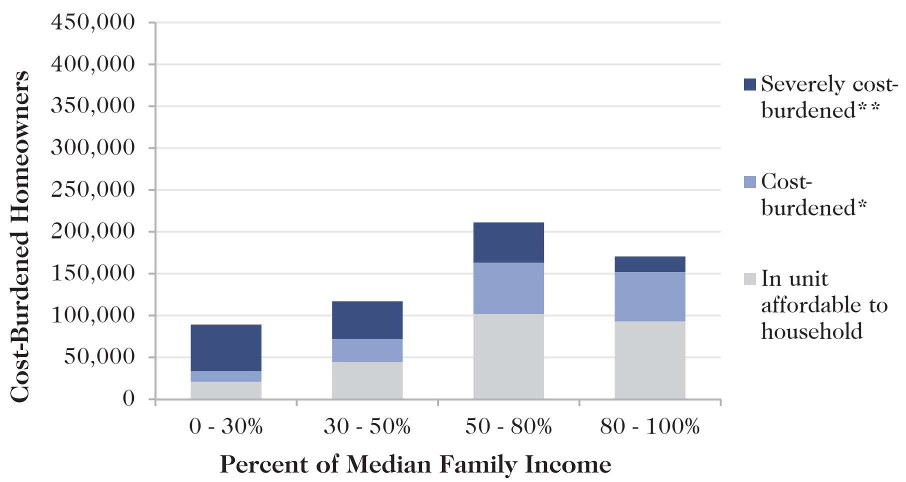
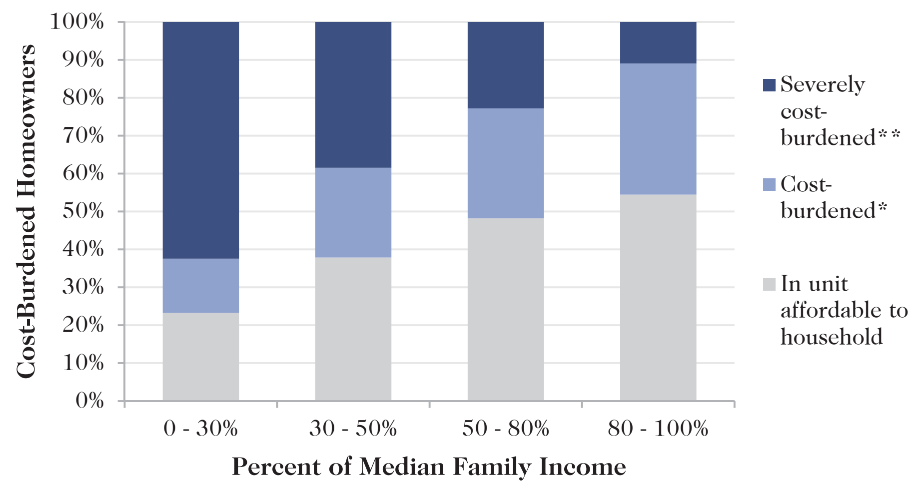



*Figure 41: ...but homeowners below 50 percent of the median family income still experience the most severe cost burden*




** housing costs are 30% - 50% of household income | ** housing costs are >50% of household income | *** housing costs are >30% of household income*

## Renters in the two lowest income bands are cost-burdened at similar rates

Unlike homeowners, most renter households earn less than 80 percent of the median family income. In the case of renters, the rates of cost burden among extremely low (0% to 30% of the meidan family income) and very low (30% to 50%) income households are virtually identical.

However, extremely low-income households once again have the highest rate of ***severe*** cost burden. In fact, there are more extremely low-income renters paying 50 percent or more of their income toward housing costs than there are total moderate-income (80% to 100%) renters.

These figures represent all households in the state, including those residing in public housing or subsidized housing and those receiving assistance directly.

For the most part, subsidies relieve cost burden for the majority of households that receive them. However, there are not enough meaningful housing subsidies to meet need, therefore a significant number of low-income Washington households are still struggling to pay for housing.

*Figure 42: Renter households are more likely to have lower incomes...*

| % of Median Family Income | Renter households | In affordable units | Cost-burdened* | Severely cost-burdened** | % Cost-burdened*** |
|---|---|---|---|---|---|
| 0 - 30% | 208,620 | 43,190 | 25,865 | 139,565 | 79.30% |
| 30 - 50% | 161,435 | 33,020 | 79,035 | 49,380 | 79.55% |
| 50 - 80% | 189,615 | 100,710 | 76,325 | 12,580 | 46.89% |
| 80 - 100% | 104,745 | 84,220 | 18,750 | 1,775 | 19.60% |
| >100% | 261,900 | 249,385 | 10,740 | 1,775 | 4.78% |
| ***Total*** | ***926,315*** | ***510,525*** | ***210,715*** | ***205,075*** | ***44.89%*** |

*Source: CHAS 2007-2011*

*Figure 43: ...and low-income renters are more likely to be cost-burdened...*

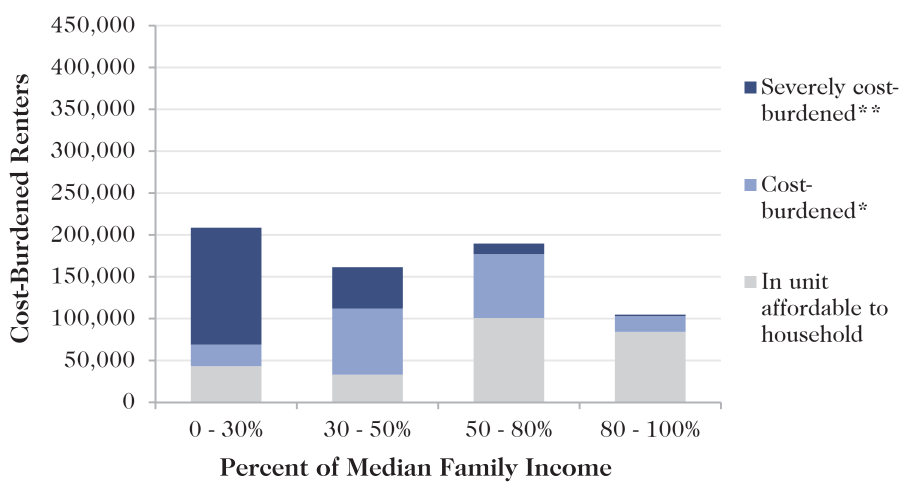
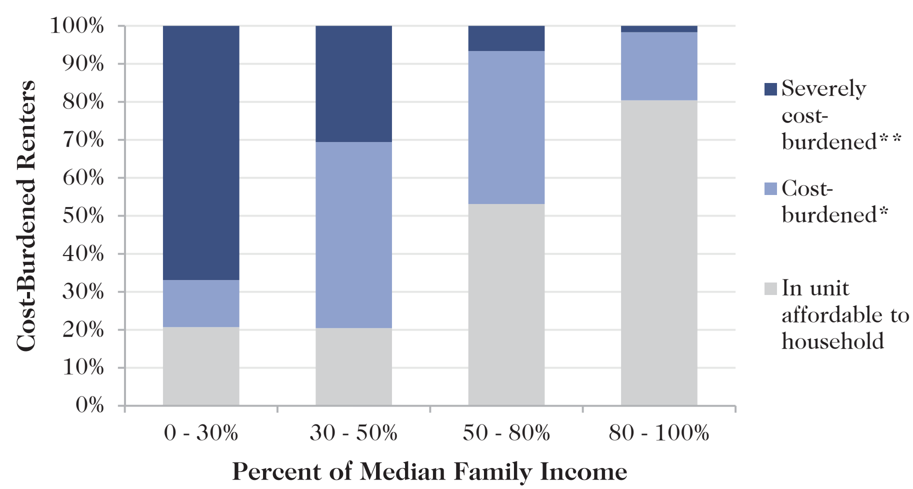



*Figure 44: ...especially in the bottom two income bands*




** housing costs are 30% - 50% of household income | ** housing costs are >50% of household income | *** housing costs are >30% of household income*

# Age and Cost Burden

## *Young householders are the most likely to be cost-burdened*

The age of a householder is strongly related to his or her earning power. Incomes typically start low for young workers, increase as they become more established in a career, and plateau or decrease during retirement. This model is true for Washington's households, and influences the patterns of age and cost burden in the state.

Financial hardship early in life can have long-lasting impacts as it can delay other financial milestones such as getting married, buying a home or starting a family. This negatively affects the overall economy.

*Figure 45: Cost burden can occur for all ages...*

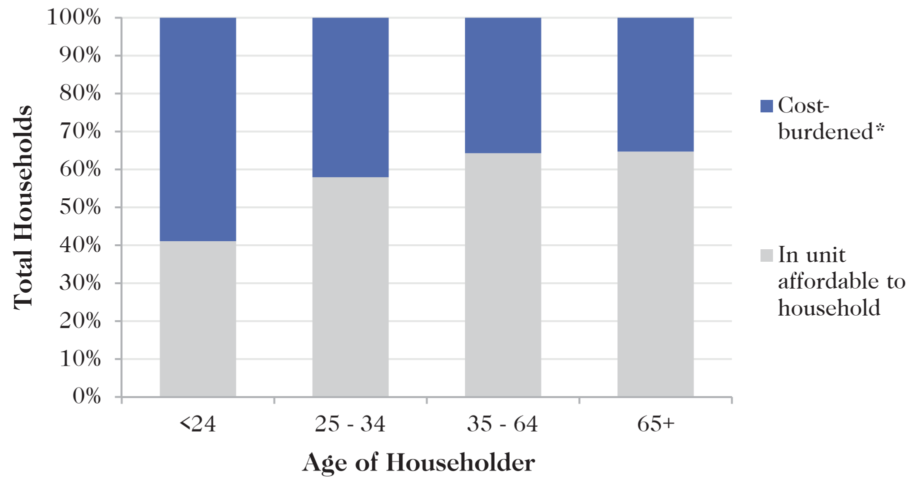



*Figure 46: ...but cost burden is especially prevalent among new, young householders*

| Age of Householder | Total households | In affordable units | Cost-burdened* | % Cost-burdened* |
|---|---|---|---|---|
| <24 | 130,819 | 53,725 | 77,094 | 58.93% |
| 25 - 34 | 437,416 | 253,438 | 183,978 | 42.06% |
| 35 - 64 | 1,526,254 | 980,935 | 545,319 | 35.73% |
| 65+ | 525,506 | 340,061 | 185,445 | 35.29% |

*Source: ACS 2008-2012*

** housing costs are >30% of household income*

# Household Size and Cost Burden

## *Cost burden is highest for one-person households*

Like age, household size is related to cost burden. One-person households were the second largest category in the state, but were the most cost-burdened. Two-person households were the most common type, accounting for over one-third of all households in Washington, but the least cost-burdened. From there, cost burden generally increased as household size increased, reaching a peak at six people.

Not only are one-person households the most cost-burdened, they are also the most severely cost-burdened at 21.3 percent, compared to 11.5 percent of two- to four-person households and 14.1 percent of households with five or more people.[1]

The increment between one- and two-person households clearly makes a big difference in housing affordability. Many two-person households benefit from having two incomes instead of just one, but do not necessarily need homes that are twice as big and twice as costly as a single person's. However, two-person households also include single parents with one child and other households that do not have two incomes.

Household size in Washington has been shrinking over the past decades (see ***Appendix B***). If this new norm continues, the number of small households will continue to increase. The trending of the overall housing market toward smaller households has significant implications for cost burden in the future.

Housing analysts often assume higher degrees of cost burden among larger households. However, the growing number of single-person households facing cost burden indicates that these may be the households with the greatest needs. Small households are likely to be either very young or elderly households. Both age brackets tend to have below-average incomes, and both are expected to become a larger proportion of Washington's population over time.

*Figure 47: Cost burden occurs among all household sizes...*

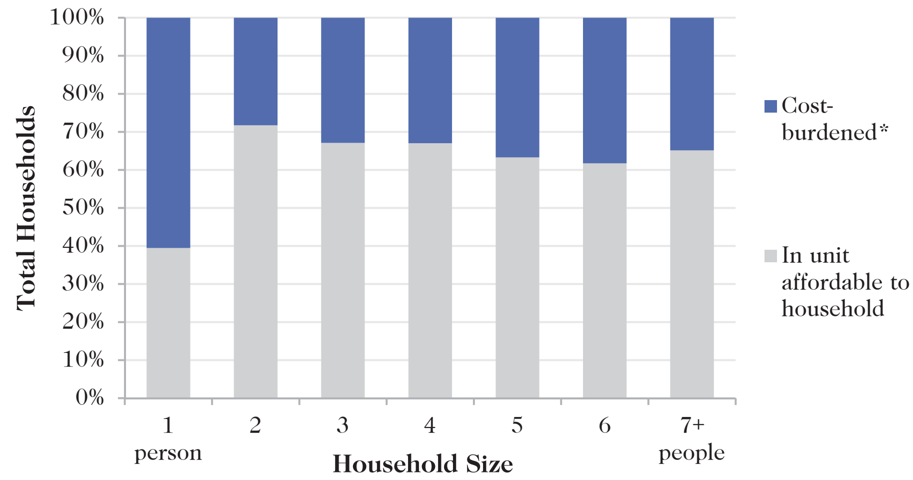



*Figure 48: ...but cost burden affects single householders the most*

| Household size | Total households | In affordable units | Cost-burdened* | % Cost-burdened* |
|---|---|---|---|---|
| 1 person | 852,657 | 336,529 | 516,127 | 60.53% |
| 2 people | 903,511 | 648,155 | 255,357 | 28.26% |
| 3 people | 355,243 | 238,375 | 116,869 | 32.90% |
| 4 people | 303,053 | 203,076 | 99,977 | 32.99% |
| 5 people | 125,260 | 79,278 | 45,982 | 36.71% |
| 6 people | 49,573 | 30,607 | 18,967 | 38.26% |
| 7 or more people | 30,697 | 19,995 | 10,702 | 34.86% |

** housing costs are >30% of household income*

*Source: PUMS2008-2012*

1. CHAS 2007-2011

# Geography of Cost Burden

## *Areas with high costs of living have higher degrees of cost burden*

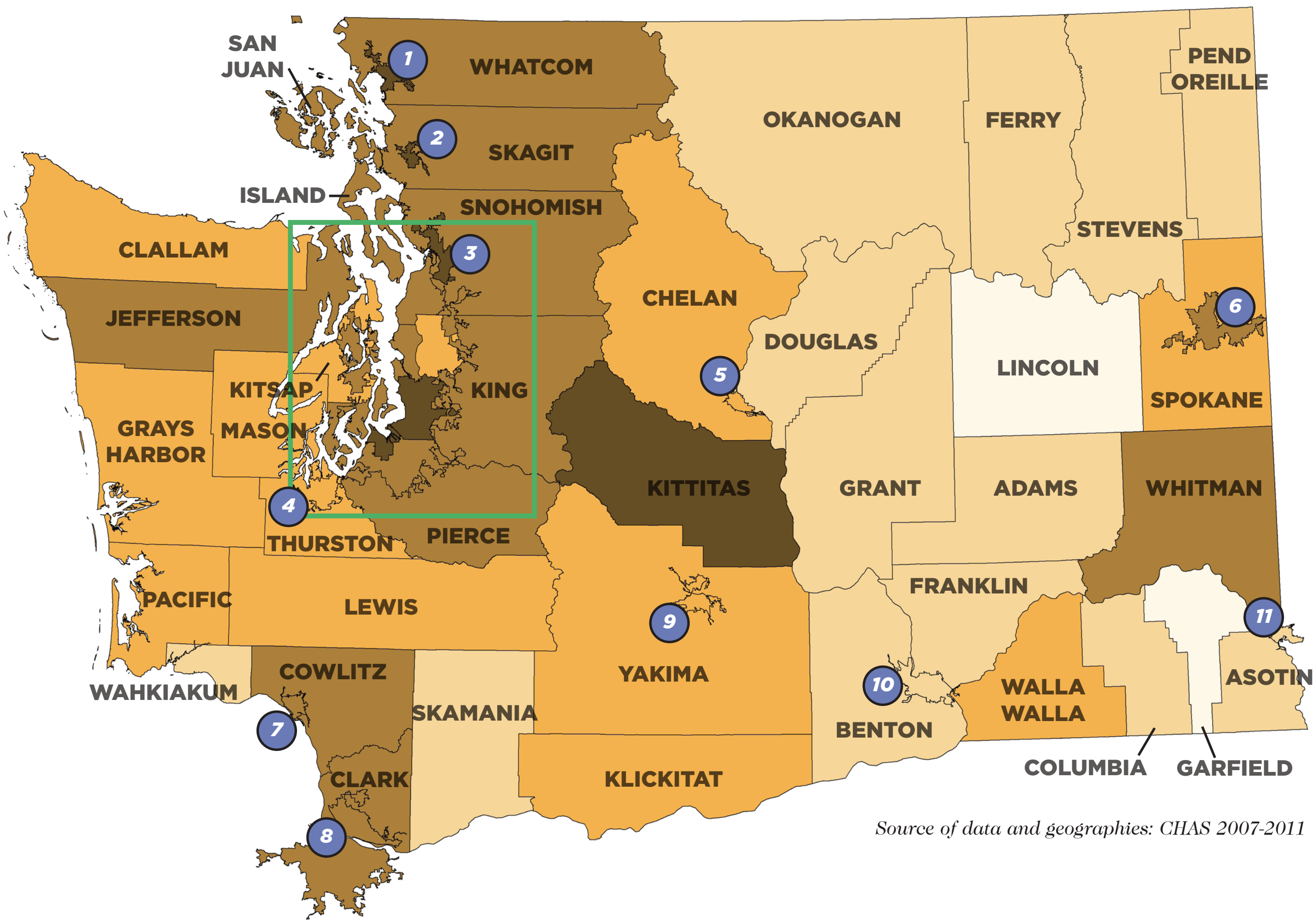
Cost burden is a basic comparison of income and housing costs. Therefore, mapping areas where cost burden is greatest shows places where incomes are generally the least sufficient to afford housing, either because incomes are low or costs are high.

For instance, East King County's median income is 60 percent higher than the median in South King County, but its rent costs are only 29 percent higher. Therefore, the income difference between these two areas of King County likely drives the difference between levels of cost burden (32% vs 41% of all households).

Households in urban areas experience cost burden at equal or greater rates than those in the surrounding county. This is generally due to higher costs of living in cities. The City of Seattle, for example, has one of the highest median incomes of any geography included in this analysis, but it also has high housing costs and a high level of cost burden.

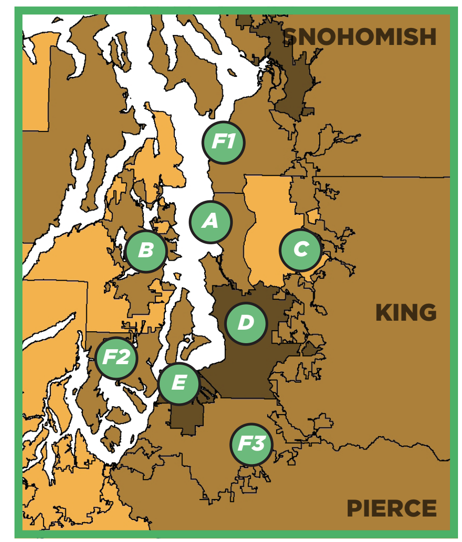
Housing costs are, of course, heavily influenced by rents and home sales prices (see ***Chapter 1: Defining Affordablilty***), and follow very similar geographic patterns.

## Map 13: High costs of living drive cost burden in some areas




*Source of data and geographies: CHAS 2007-2011*

*Source: CHAS 2007-2011*



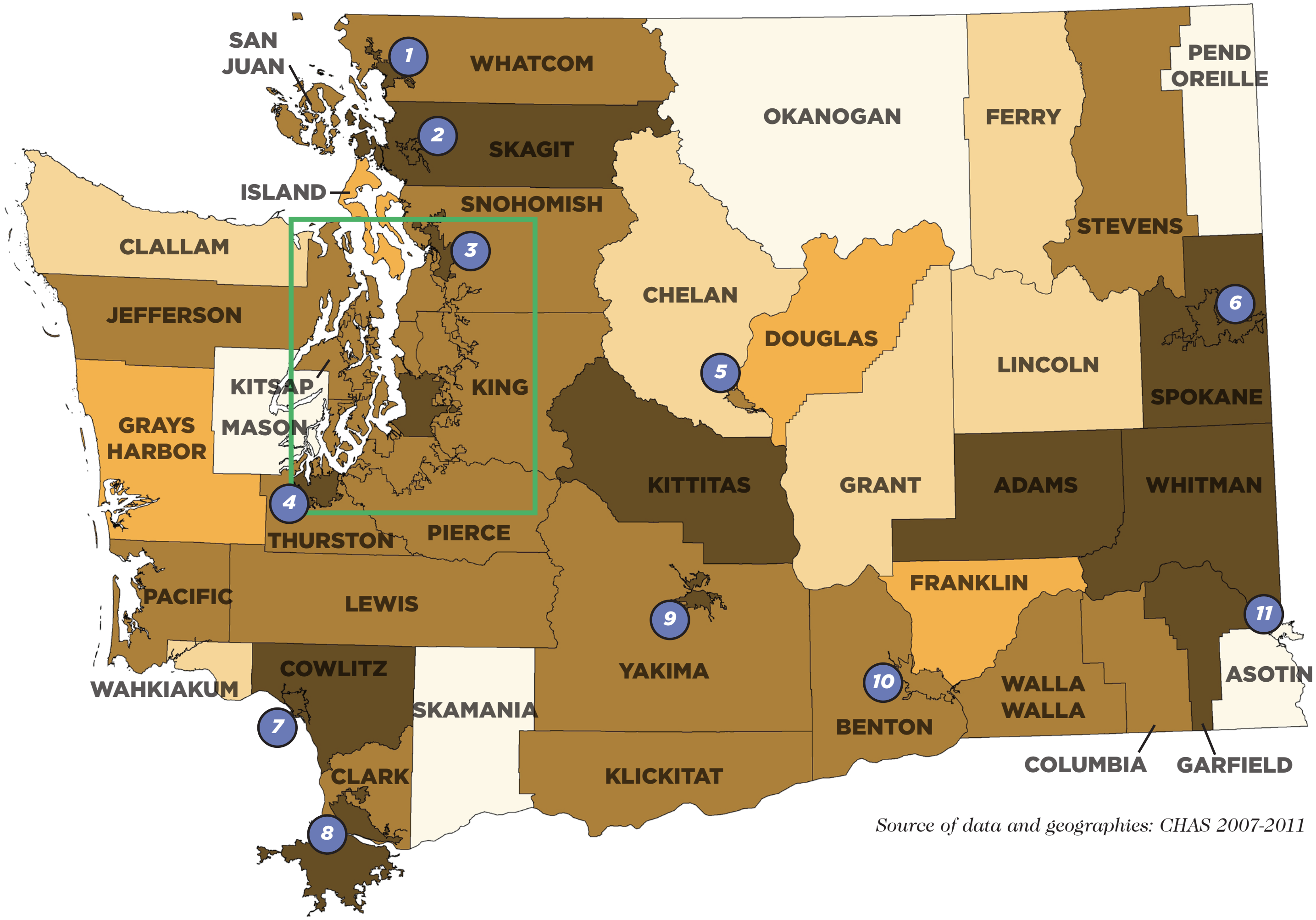

### Urban Puget Sound

A. City of Seattle
B. Bremerton Urbanized Area
C. East King County
D. South King County
E. City of Tacoma
F. Seattle Urbanized Area (multi-part)

### Urbanized Areas

1. Bellingham, WA
2. Mount Vernon, WA
3. Marysville, WA
4. Olympia–Lacey, WA
5. Wenatchee, WA
6. Spokane, WA
7. Longview, WA–OR
8. Portland, OR–WA
9. Yakima, WA
10. Kennewick–Pasco, WA
11. Lewiston, ID–WA

# Map 14: Cost burden is a much larger problem for extremely low-income households

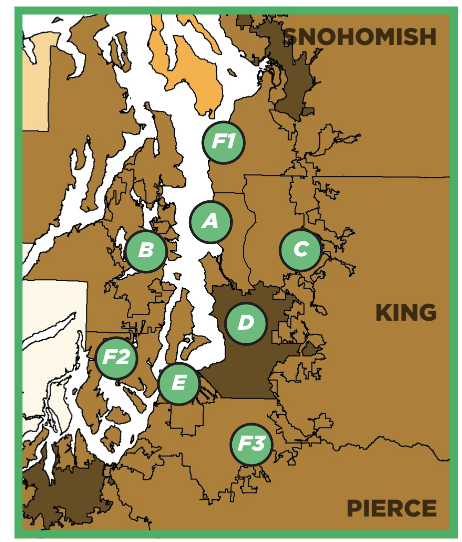



**Cost-Burdened Extremely Low Income Households, 2011**

- 65% or less
- 66% - 70%
- 71% - 75%
- 76% - 80%
- 81% or more

*Source of data and geographies: CHAS 2007-2011*

*Source: CHAS 2007-2011*

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F. Seattle Urbanized Area (multi-part)

# Special Populations

This section describes the unique housing needs among special populations, to the extent that relevant data are available. It also includes information on the subsidized housing set aside for these groups that is necessary for many of them to live without cost burden.

The special populations discussed in this section are:

- » Persons with Physical and Cognitive Disabilities
- » Homeless Persons
- » Veterans
- » Victims of Domestic Violence

## *A disability can seriously affect housing need*

A disability is a condition lasting six months or more that limits the ability of a person to perform functions and tasks for self-care, including bathing, dressing, eating, grooming and other personal hygiene activities.[1]

Across Washington, 12.1 percent of people report having at least one disability. This share increases as age increases, with more than one-third of seniors reporting a disability.

The housing needs of persons with disabilities vary considerably. The subsidized inventory presented in this report typically accommodates those who can live independently with or without personal care support. Other facilities are available to provide nursing or long-term institutional support.

The most disability common category was ambulatory, defined as serious difficulty walking or climbing stairs. The number of people with an ambulatory disability was higher among the working-age population, though it represented a smaller percentage of that age group.

## *People with disabilities have far less to spend on housing*

In 2012, only 37.3 percent of people with a disability were employed, compared to 74.7 percent of people without a disability. The median earnings across this population were 30.1 percent lower than earnings for those without disabilities, and 21.7 percent had incomes below poverty level, compared to 11.9 percent of people without disabilities.

These lower earnings, higher poverty rates and lower employment all translate to higher risks of cost burden for persons with disabilities.

*Figure 49: People living in poverty are more likely to have a disability, especially the elderly*

| Poverty Status | | Under 18 | 18 - 64 | Age 65+ | Total |
|---|---|---|---|---|---|
| Below Poverty | With a disability | 15,666 | 113,093 | 35,273 | 164,032 |
| | Without a disability | 250,102 | 410,066 | 29,127 | 689,295 |
| Above Poverty | With a disability | 42,125 | 314,457 | 269,026 | 625,608 |
| | Without a disability | 1,240,719 | 3,363,649 | 484,276 | 5,088,644 |
| | ***Total*** | ***1,548,612*** | ***4,201,265*** | ***817,702*** | ***6,567,579*** |

1. U.S. Census Bureau definition

## *Someone relying on SSI alone could afford very few rental units in the state*

Due to their limited incomes, many people with disabilities depend on subsidies such as Supplemental Security Income (SSI) to afford housing. Of the Washingtonians who received SSI in 2012, 88.6 percent qualified as disabled.

Washington is one of 21 states that adds a state-funded monthly reimbursement to the federal SSI payment. In 2012, the state supplement for someone living independently was $46 per month on top of the federal payment of $698.

For someone with only SSI as a source of income, affordable rent would be no more than $223 per month. In 2012, only 5.8 percent of units in Washington had contract rents that were priced below $300. The state's average fair market rent for a one-bedroom apartment, at $770, would be drastically out of reach.

## *There are more than 10,000 accessible subsidized units...*

Subsidized housing is critically important to ensure that people with disabilities have a chance to find a decent, affordable place to live and avoid cost burden.

In total, 10,155 units of the overall subsidized housing inventory were marked as reserved for people with disabilities. Many of these were set aside as a percentage of large tax-credit developments.

Federal regulation requires that at least 5 percent of public housing units, among some other HUD-funded units, are accessible to people with mobility impairments, and an additional 2 percent must be accessible to people with sensory impairments.

## *...and more than 3,000 units for those with developmental disabilities, mental illness or chemical dependency...*

The majority of the more than 3,000 units set aside for persons with disabilities were created by the Housing Trust Fund.

*Figure 50: There are not enough units set aside for persons with disabilities*

| Disability | Units |
|---|---|
| Developmental disability | 1,122 |
| Chronic mental illness | 1,537 |
| Chronic mental illness with chemical addictions | 443 |
| Substance abusers in recovery | 583 |
| Survivors of traumatic brain injury | 9 |
| *Total* | *3,694* |

## *...but another 5,000 units are needed for this group*

The State Department of Social and Health Services determined in 2009 that only 5.5 percent of people enrolled for developmental disability services lived in units funded through the Housing Trust Fund.

At that time, supportive living providers identified an unmet need for 590 units, in addition to need among 3,405 people who do not receive Supportive Living services but would likely qualify for and benefit from subsidized affordable housing. The 2007 Mental Health Plan for Washington estimated an unmet need for 5,000 additional units of permanent supportive housing for that population statewide.

As national standards of care have transitioned from housing people with cognitive disabilities in large institutional settings to integrating them within communities, the nature of housing need for this population has shifted. The state's 2014 Annual Plan noted that public housing authorities have taken on much of the task of providing affordable housing to persons in this category.

Where possible, providers have developed smaller homes serving four or fewer clients to achieve consistency with requirements for certified residential programs.

## On the whole, veterans fare well economically...

In 2012, there were 594,914 veterans in Washington, the largest portion of whom (37.6%) served in Vietnam-era conflicts. About 19 percent served in the Gulf War era of the 1990s, and 11.5 percent served beginning 2001 or later.

Washington's veterans are older than the population overall, with 63.4 percent age 55 or older, compared to 32.8 percent of the general population. The veteran population is overwhelmingly (91.5%) male.

Veterans experienced less unemployment in 2012 (7.7%) than non-veterans (8.8%) and earned a higher personal median income, $42,526 compared to $28,662. Veteran households represent 10.7 percent of the homeless counted in January 2014, smaller than their 11.6 percent share of all households.

## ...but they face particular housing challenges

Substance abuse issues and other service-related injuries such as physical disability, traumatic brain injury and psychological side effects often translate to special housing needs among veterans.

Veterans returning from service are especially vulnerable to housing problems such as cost burden as they assimilate back into community life. Tax credit and project-based Veterans Affairs Supportive Housing (HUD-VASH) have been instrumental in supplying affordable housing that meets these needs and prevents veterans from becoming cost-burdened.

As of December 2013, there were 250 units in the subsidized housing inventory set aside for veterans, and 32 more were in the development process. Additionally, housing authorities commonly set aside housing vouchers for veterans or award them preference in waiting list criteria.

## Consequences of unmet need for domestic violence victims are especially severe

The Violence Against Women Act of 2007 requires that recipients of HUD funds report on the housing needs of victims of domestic violence, date rape and stalking and offer specific protections that help them find and maintain affordable housing.

Not all victims of domestic violence require housing assistance. Many remain in their homes or are able to find other housing. For those who must seek safety outside their home, many require confidential temporary options that will accommodate children.

A 2013 survey of 68 local domestic violence programs in Washington captured a point-in-time picture of need across the state. During one day, 1,051 victims (575 children and 476 adults) took refuge in emergency or transitional housing provided through local programs.[1]

The same day, local programs fielded 382 requests for services that could not be provided because programs did not have sufficient resources. Chief among the reasons for unmet requests for help were not enough staff and reduced government funding. Of the unmet need calls, 70 percent were for housing. When housing assistance cannot be provided, the providers reported, some victims are forced to return to their abuser, become homeless or live in their cars.

As of December 2013, 465 units in the subsidized housing inventory were reserved for victims of domestic violence, and another 13 were in the development process.

1. "2013 Domestic Violence Counts: Washington Summary," National Network to End Domestic Violence.

## Homelessness has been decreasing in Washington

While not currently struggling with housing expenses, Washington's homeless population are not strangers to cost burden. Unaffordable housing is often as much a factor for those transitioning out of homelessness as it is for those at risk of becoming homeless. Assisting homeless individuals and families when they need it the most can be an important part of addressing potential future cost burden before it occurs.

Statewide figures reflect a 29 percent reduction in homelessness between 2006 and 2013, despite unemployment-driven poverty, escalating housing costs and the declining availability of public funds for social services. This includes a 74 percent drop in unsheltered family homelessness and a 5 percent decrease in the incidence of unsheltered individuals.[1] The Department of Commerce credits the decrease to data-driven investments facilitated by the 2006 Homelessness Housing and Assistance Act.

1. 2013 Annual Report on the Homeless Grant Programs prepared by the Department of Commerce.

## About 15% of the state's homeless are chronically homeless

Nonetheless, substantial need persists among the homeless for housing and associated services. A point-in-time count conducted in January 2014 identified 18,839 homeless persons across Washington, one-third of whom were unsheltered. This included people in households with children, unaccompanied children and people classified as chronically homeless.[2]

The point-in-time count also indicated whether homeless people belonged to special populations. There were 2,418 severely mentally ill adults, 37.5 percent of whom were unsheltered. A similar proportion of 7,721 adults with chronic substance abuse issues were unsheltered, and seven of 66 adults with HIV/AIDS were unsheltered. Finally, the count found 1,468 homeless veteran households, 26 percent of which were unsheltered.

2. HUD's definition of a chronically homeless person is one with a disabling condition who has been literally homeless for at least one year, or has had at least four episodes of homelessness within the last three years.

*Figure 51: A point-in-time homelessness count in 2014 captured nearly 19,000 homeless persons in Washington*

| | Emergency Sheltered | Transitional Sheltered | Safe Haven | Total Sheltered | Unsheltered | Total |
|---|---|---|---|---|---|---|
| *Households with Adults and Children* | | | | | | |
| Households | 593 | 1,342 | - | 1,935 | 251 | *2,186* |
| Persons | 1,932 | 4,361 | - | 6,293 | 769 | *7,062* |
| *Households with Only Children** | | | | | | |
| Households | 52 | 63 | - | 115 | 70 | *185* |
| Persons | 52 | 71 | - | 123 | 71 | *194* |
| *Households without Children* | | | | | | |
| Households | 4,197 | 1,833 | 42 | 6,072 | 5,209 | *11,281* |
| Persons | 4,228 | 1,864 | 42 | 6,134 | 5,449 | *11,583* |
| *Total* | | | | | | |
| Households | 4,842 | 3,238 | 42 | 8,122 | 5,530 | *13,652* |
| Persons | 6,212 | 6,296 | 42 | 12,550 | 6,289 | *18,839* |

** This category refers to households consisting solely of one or multiple persons under age 18.*

## Providers across the state maintain over 28,000 year-round beds...

Inventory data maintained by Commerce include 28,710 beds of all types dedicated year-round for the homeless, including congregate facilities, units in single- or multi-family homes, rental assistance and other forms of subsidy. As of December 2013, an additional 870 units in the development process were set aside for homeless households.

## ...but they are insufficient to meet existing need

Commerce estimated in its 2010 Consolidated Plan that more than 87,000 people experience homelessness in Washington each year, many of them in rural areas where there are fewer shelters. The point-in-time count seeks homeless people on the street or in a shelter, not doubling up in overcrowded units or staying with friends, so it underestimates the reality of homelessness in some respects.

*Figure 52: Total Year-Round Dedicated Homeless Beds (Including Permanent Supportive Housing) by County, 2014*

| County | Beds | County | Beds |
|---|---|---|---|
| Adams | 24 | Lincoln | 5 |
| Asotin | 34 | Mason | 202 |
| Benton-Franklin | 1,143 | Okanogan | 823 |
| Chelan-Douglas | 377 | Pacific | 52 |
| Clallam | 422 | Pend Orielle | 33 |
| Clark | 1,899 | Pierce | 2,082 |
| Columbia-Garfield | 9 | San Juan | 12 |
| Cowlitz | 556 | Skagit | 937 |
| Ferry | 34 | Skamania | 30 |
| Grant | 86 | Snohomish | 2,550 |
| Grays Harbor | 221 | Spokane | 2,298 |
| Island | 90 | Stevens | 48 |
| Jefferson | 87 | Thurston | 561 |
| King | 10,402 | Wahkiakum | 11 |
| Kitsap | 645 | Walla Walla | 391 |
| Kittitas | 184 | Whatcom | 1,008 |
| Klickitat | 86 | Whitman | 41 |
| Lewis | 335 | Yakima | 992 |
| | | *Total* | *28,710* |