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COMMISSION

*Opening doors to a better life*

# My View

*A unique, inside perspective on housing and community development from the executive director of the Washington State Housing Finance Commission*

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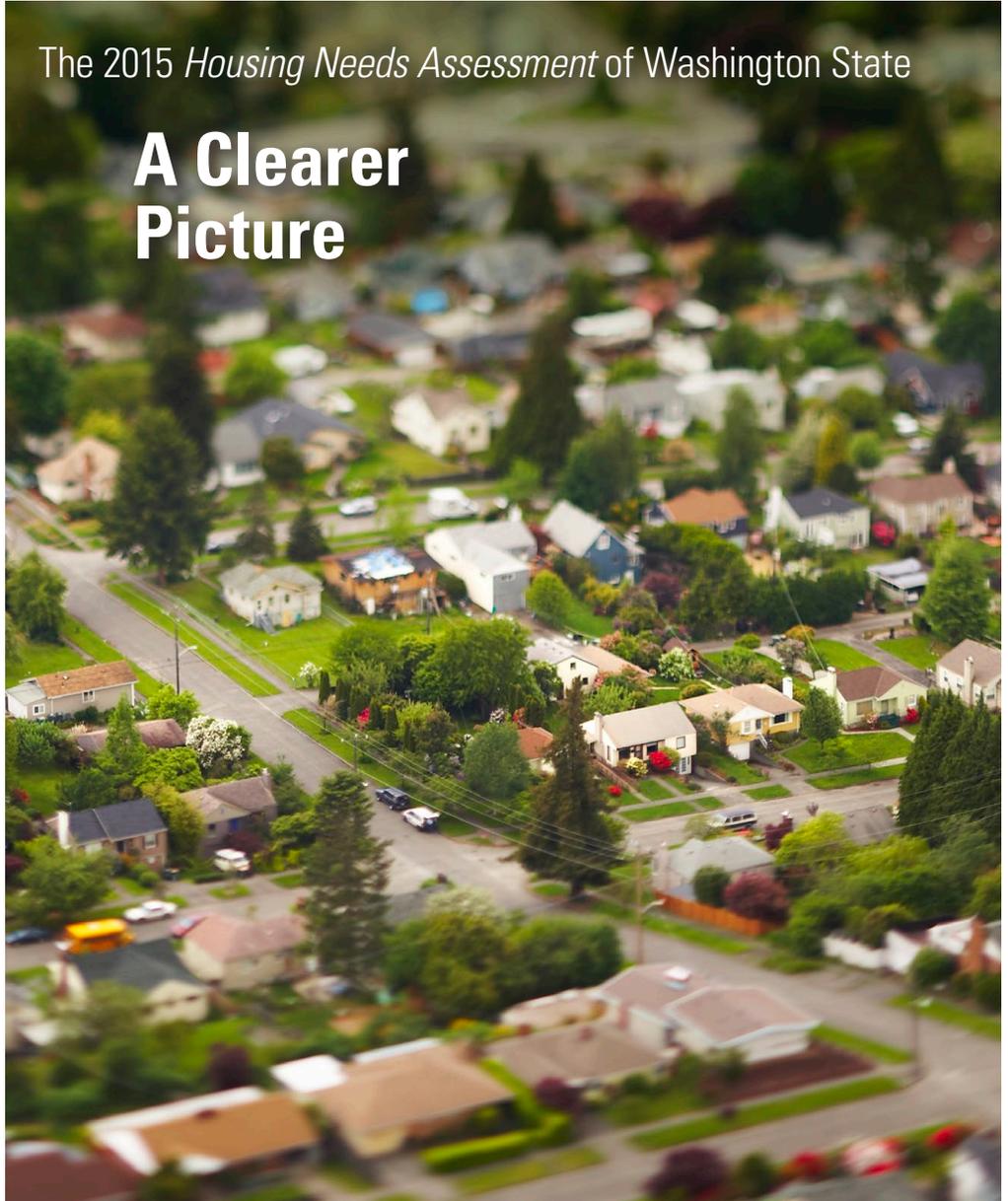
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KIM HERMAN, EXECUTIVE DIRECTOR

The 2015 *Housing Needs Assessment* of Washington State

## A Clearer Picture



**In January, the Affordable Housing Advisory Board (AHAB) published the 2015 *Housing Needs Assessment of Washington State*, the first comprehensive, statewide study of our current housing affordability challenges in a dozen years. This issue of *My View* offers the perspectives of people who are engaged in diverse housing-related efforts in our state, sharing the most pertinent new information from the study, their most important takeaways, and how the study might impact our future policies.**

## A Glossary of Terms

**AFFORDABLE:** When a household pays no more than 30% of its income for all housing costs.

**COST-BURDENED:** When a household pays more than 30% of its income for housing expenses.

**SEVERELY COST-BURDENED:** When a household pays more than 50% of its income for housing expenses.

**HOUSING EXPENSES:** Mortgage principal and interest, taxes, insurance, and utilities. Rental costs include rent and utilities.

**AFFORDABILITY GAP:** The difference between the number of households and the housing units that are affordable and available to them based on their income.

**MEDIAN FAMILY INCOME:** Adjusted for household size and published by HUD for states, counties and large urban areas.

**LOW INCOME:** Households that earn 50% - 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.

**VERY LOW INCOME:** Households that earn 30% - 50% of the median family income.

**EXTREMELY LOW INCOME:** Households that earn 0% - 30% of the median family income.

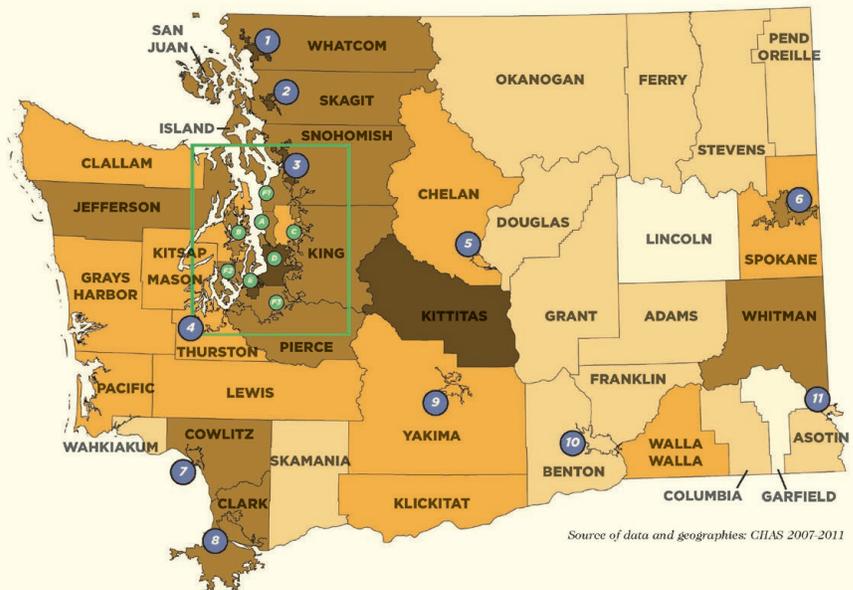
**SUBSIDIZED HOUSING:** Includes direct housing subsidies, nonprofit housing, public housing, rent supplements and some forms of co-operative and private sector housing.

## The State of Washington 2015 *Housing Needs Assessment: A Clearer Picture*

*The Housing Needs Assessment* is a much-needed compilation of data that articulates our affordable housing inventory—alongside where we're falling short. The report analyzes the "affordability gap," examining the extent of our state's deficiencies in affordable housing by income group and region.

Critically, in breaking down the affordability numbers by individual and household income levels, the *Housing Needs Assessment* provides data profiles for each county, major city, and urban area of the state. For affordable housing stakeholders and decision makers, having access to data that reflect these unique characteristics will be invaluable in pinpointing the most urgent needs, and in thoughtfully advocating for—and allocating—the limited resources we have available to meet them.

As all who contributed to creating and shepherding this study through a number of drafts will attest, it took a great commitment of resources and hard work to get this study completed.

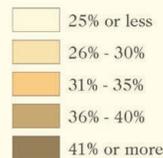


Source of data and geographies: CHAS 2007-2011

### 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

### Cost-Burdened Households, 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)

## Faith Li Pettis: “We’d like to see the state’s funding for affordable housing be much more systematic, policy-based, and policy-driven.”



**FAITH LI PETTIS**  
Pacifica Law Group, Partner  
AHAB, Chair

*“We need to continue to measure how well we’re progressing in meeting our goals: Are our investments in affordable housing making a difference?”*

Faith Li Pettis has been a colleague since she began working with the Commission as bond counsel in 1993. She’s a partner with Pacifica Law Group, and was appointed by Governor Gregoire to chair AHAB in 2012. AHAB’s mission and purpose is to advise the Department of Commerce on statewide housing policy—a purview that ranges from homeless individuals through first-time homebuyers statewide.

“We’re asked to comment on housing policy to the Legislature and to the government, and find ourselves often testifying before the Legislature on housing issues,” Faith says.

“In this context, we’re given a unique opportunity to help ferret out issues from all different segments of the market, and to comment on these.” To facilitate this broad perspective, all 19 board members of AHAB are appointed by the Governor, and each is chosen to represent a specific area of the housing industry.

Faith says the just-released *Housing Needs Assessment* will be a critical tool in helping inform AHAB’s housing policy recommendations in the coming years. “The goal was to form a baseline analysis that can be replicated every couple of years and updated using

the same factors and formulas. We need to continue to measure how well we’re progressing in meeting our goals: *Are our investments in affordable housing making a difference?*” In order to be able to measure this, Faith affirms, we need clear, replicable processes.

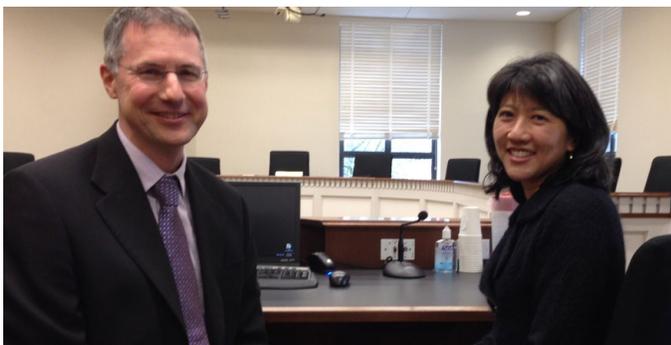
It is Faith’s—and AHAB’s—goal to make careful use of the *Assessment’s* findings in recommending data-driven policies in the years ahead. In recent years, she says, state funding for affordable housing has been increasingly ad hoc. Additionally, with the state facing budget shortfalls, allocations to the Housing Trust Fund (HTF) have diminished.

“We’d like to see the state’s funding for affordable housing be much more systematic, policy-based, and policy-driven,” she says. “The HTF is so central to all of the state’s affordable housing funding.” Balancing the broad spectrum of affordable housing needs is critical, she explains. When funding for the HTF gets off kilter, our ability to coordinate the entire fabric of funding for affordable housing needs statewide is thrown off as well.

“I’m hoping,” Faith says, “that the publication of this report will refocus everyone, particularly funders. I’d like to see us all come together to make concerted and systematic policy decisions around funding—and find ways to work together.”

“When this kind of policy-making and funding process works well, applicants for affordable housing projects know what to expect; there’s more certainty about the funding process. I’d like to see us achieve that, while also coordinating policy issues to help make every dollar we spend go further.” ■

**RIGHT:** Tedd Kelleher, who leads the Department of Commerce’s Housing Assistance Unit and was instrumental in completing the Housing Needs Assessment, and Faith Pettis launched the HNA in a legislative hearing in January 2015.





# Maureen Kostyack: “Extremely low-income renter households are the most cost burdened.”



**MAUREEN KOSTYACK**

City of Seattle, Housing Development  
and Program Manager

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*“But what the report shows is that only about one third of the units in our state’s subsidized inventory are affordable to extremely low-income households.”*

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I asked Maureen Kostyack for her take on some of the most critical findings in the *Housing Needs Assessment*—data she’d point to in helping both advocates and policy makers determine their priorities.

Maureen is Housing Development and Program Manager for the City of Seattle. She’s worked with Seattle’s Office of Housing for the past 12 years; before that time, she pursued a similar role with King County. In all of her work in the public arena, she’s contributed a compelling voice in advocating for affordable housing, and educating elected officials and policy makers about how to create effective housing policies that can best leverage public funding.

Maureen begins by emphasizing the report’s cost-burden numbers. “I’d recommend people look first at the charts related to cost burden,” she says. “You can see the numbers on renters separated from those on homeowners—both are important, but different.

“These charts show quite clearly that it’s the extremely low-income renter households, the people at 0 to 30% AMI [area median income] that are the most cost burdened and who also make up the largest number of people in the extremely cost-burdened group,” Maureen points out.

On the statewide level, for both those in the extremely low-income category, 0 to 30% AMI, and for the very low-income category, 30 to 50% AMI, *only about one in five renter households is living in housing that they can afford.*

“These are pretty shocking numbers,” she says. And they hold true not just for Seattle or urban Puget Sound, but all around the state. Looking at the cost-burden data another way, Maureen points out, about 140,000 of our state’s extremely low-income rental households are severely cost-burdened renters—they’re paying more than half their income for housing every month.

“This shows that this is where a huge need exists,” Maureen says. “This is on a statewide basis; and another 49,000 households at the 30 to 50% AMI range also meet the criteria for severe cost burden. This adds up to 189,000 households below 50% AMI. These are folks who are really struggling to pay the rent.”

Maureen’s second major takeaway from the report speaks to our state’s subsidized rental inventory, “which,” she emphasizes, “is a wonderful achievement and a lot of work. I appreciate it and I hope we’re able to maintain it.

“But what the report shows is that only about one third of the units in our state’s subsidized inventory are affordable to extremely low-income households.”

Most of the remaining two-thirds of the subsidized inventory is affordable to households at or below 50-60% AMI. “So we have a situation where we have a fairly severe need at that extremely low-income level,” Maureen says. “Our inventory isn’t necessarily matching up with the need because more capital and operating funds are needed for this housing.”

Based on her reading of the report's data, Maureen mentions three policy implications. The first: We need more strategies to target subsidized rental housing at that extreme lower-income household level. This is very difficult to do, she acknowledges, simply because of the capital subsidies required. Frequently, operating subsidies are required as well, because these low rents can't meet operating costs.

"This means there needs to be a lot of advocacy in the state and at the federal level," she says. "We all have to work very hard to make sure that the federal government supports the Section 8 and homeless programs. We also just need to be creative, including creating more mixed-income projects, where a certain portion of the units are reserved for extremely low-income renters and the development can support that."

Maureen's second policy implication: "Rental housing targeted to 50 and 60% AMI continues to be needed, particularly in high-cost markets, and particularly for family-sized units. Because what the data in this report shows is that even at that income level, only one in five households is paying housing costs that they can afford. There's certainly the need there as well."

She concludes with a third key policy take-away. "This report places a strong spotlight on the affordable housing preservation issue. It includes data about expiring federal subsidies for housing, but points out that some of this housing may have other funding and regulatory agreements. I'd say to people

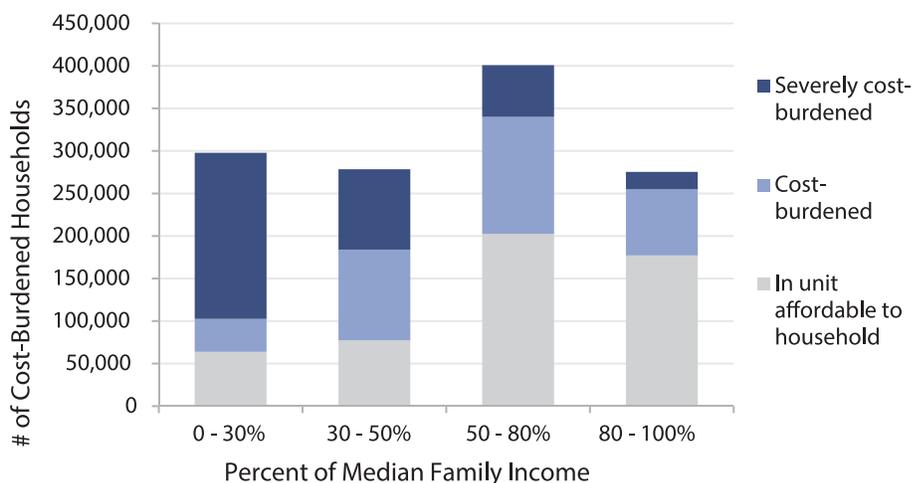
working in affordable housing in their local areas: 'Go check your list.'"

After determining what affordable housing is truly at risk, strategies need to be developed to preserve it. "These are ongoing subsidies for communities that we don't want to lose, and that, when lost, can do harm to the individuals residing there."

Affordable housing at risk includes housing with expiring rental subsidies, as well as older buildings with subsidized mortgages that have come to term. "But preservation is a very important issue that goes beyond that," she says. "Because privately owned, unsubsidized affordable housing is being lost to rising rents and redevelopment, and policies and incentives for housing preservation are needed in that area, too." ■

*"Another 49,000 households at the 30 to 50% AMI range also meet the criteria for severe cost burden. This adds up to 189,000 households below 50% AMI. These are folks who are really struggling to pay the rent."*

## Lower-income households burdened by housing costs



## Christina Pegg: “This study’s data will help us best target the scarce resources that we have.”



**CHRISTINA PEGG**  
CEO, Longview Housing Authority

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*“I’m excited about using the report as a tool in speaking with our legislators—and also to inform our own local decision makers across all the communities we serve, to actually put some numbers to the anecdotal stories that all of us have been telling. We haven’t had current, updated data for a long time.”*

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I asked Christina Pegg to weigh in on how the *Housing Needs Assessment* will impact the rural communities in which she works. Chris is CEO of Longview Housing Authority, and has served on AHAB’s board, representing our state’s housing authorities, since 2012. She also chairs the Policy Advisory Team, a subcommittee of AHAB. Like Maureen, she has been an impassioned affordable housing advocate for some three decades.

As with everyone I’ve spoken with about the *Housing Needs Assessment*, this report’s data didn’t reveal any big surprises for Chris. “I think all of us who work in this field are very aware—particularly in light of budget cuts over the last few years—of how great the need is around the state,” Chris says. But, the *Housing Needs Assessment*, she adds, is providing much-needed data that testifies to the needs she sees every day.

Chris’ organization covers Cowlitz, Pacific, Lewis, and Wahkiakum Counties, serving a 5,000-square-mile area in southwest Washington. “Virtually all of these are rural communities,” she says. “The largest town in this entire area is the City of Longview. The Housing Trust Fund is particularly important for us. We built a Low Income Housing Tax Credit project in Woodland in 2013, but in general, it’s really tough to put together tax credit projects in small rural communities. It’s difficult to build projects that are big enough in size to attract investors. The HTF has been a critical development tool for us—it makes a big difference when we don’t have that funding available as a potential resource in meeting the needs of our communities.”

In addition to her work with AHAB, Chris contributes on a number of national and state boards and committees dedicated to affordable housing. “I’m excited about using the report as a tool in speaking with our legislators—and also to inform our own local decision makers across all the communities we serve, to actually put some numbers to the anecdotal stories that all of us have been telling. We haven’t had current, updated data for a long time.”

The *Housing Needs Assessment* was designed so that the data measured can be replicated. “That was one of the requirements in hiring a firm to prepare the study. We wanted future updates to be performed here in Washington,” says Chris. “In the past, studies like this would sit on the shelf and age. Making the process replicable will allow us to keep the data more current.”

The timing of the report is a great opportunity for Longview Housing Authority. They’re just getting started on a new five-year strategic planning process. “The data will be really helpful to utilize in that process,” Chris points out. And in the City of Longview, local officials just finished a consolidated plan. “They’ve made some interesting choices about what they’re choosing to fund; this data will be helpful in having conversations about affordable housing needs with them as well,” she adds.

Chris’ housing authority oversees a portfolio of close to 1,400 Housing Choice vouchers, along with about 390 owned and managed rental units that meet a range of housing needs for low-income people,

including seniors and families, disabled individuals, pregnant and post-partum parents coming out of drug treatment programs, homeless veterans, and others. "This study's data will help us best target the scarce resources that we have," she says. ■



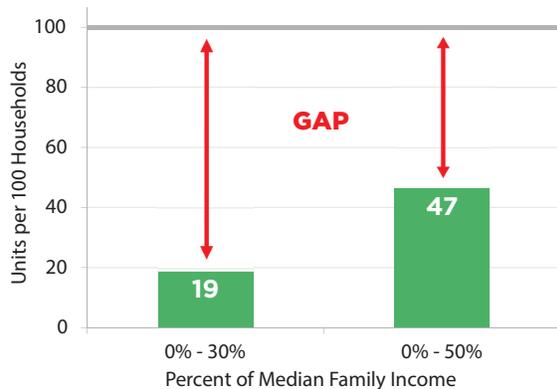
## 2015 Washington State Housing Needs Assessment: Longview Area



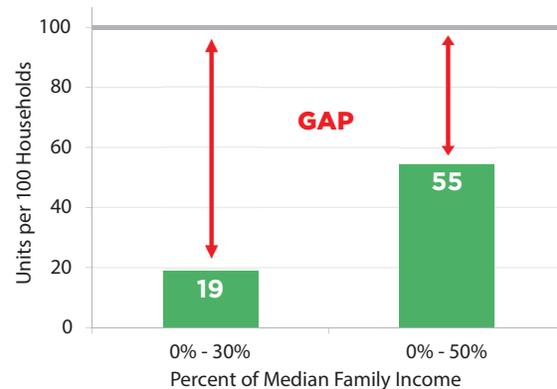
-  Population: 63,334
-  Area: 35 miles<sup>2</sup>
-  Households: 25,696
-  Median Family Income: \$59,100
-  Low-income Renter Households: 6,925
-  Subsidized Housing Units: 786

### Affordable Housing Gap (Cowlitz County)

*Affordable and Available Housing Units for Every 100 Households*



*Forecasted Affordable and Available Housing Units for Every 100 Households in 2019*



# Wanda Coats and Jeanette McKague: “How easy do the jurisdictions make it to build in the areas where more affordable housing is needed?”



**WANDA COATS**  
Tacoma Pierce County Association of REALTORS®,  
Executive Officer



**JEANETTE MCKAGUE**  
Washington REALTORS®,  
Assistant Director of Land Use / Planning

Wanda Coats is executive officer for the Tacoma Pierce County Association of REALTORS® and part of the Washington REALTORS® organization. She just completed her second four-year term on AHAB as a representative of the real-estate sales profession. Jeanette McKague is based in Olympia as assistant director of land use/planning for Washington REALTORS®. Both have been working in the real-estate industry for decades. They shared their views on how the current findings of the *Housing Needs Assessment* could be put to use going forward, particularly with an eye to land use planning in counties and local communities.

Wanda begins by emphasizing the cost burden numbers. The report’s baseline data from the *Housing Needs Assessment’s Executive Summary* show that more than one-third of Washington’s households are cost burdened—with 15.2% of those considered severely cost burdened. She makes the point that it’s too early to make far-reaching conclusions. But, she says, these numbers “confirm some of the concerns that we have had about housing throughout the state, and highlight problem areas that need to be worked on. They provide us with a good basis on which to talk about housing, and start moving forward and making decisions about how we fix this.”

Jeanette, who works with both state and local decision makers on housing policy issues, brings up the point that policy makers should focus not just on solutions for the present, but on changing demographics. “These kinds of policy decisions are all made at a county level. You have to look both at the

county and also at the municipal level to see what’s happening in these communities. And not only today but in 20 years: *How do you see the demographics changing?* This should be addressed for every community.”

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*“In each case, is this a question of something that can be done to effect a change on the local level—or do we need to effect changes at the Legislative level?”*

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Jeanette continues, “The other part of the policy question is that jurisdictions need to take a hard look at this information as they’re working on their comprehensive plans.” The central Puget Sound counties are engaged in this process this year, she says. In addition to the report’s data, she says, an essential tool is Commerce’s NSP and GMA Housing Planning Guidebook *Beyond NSP: Lessons for Future Housing Planning*.

“The Commerce Guidebook helps inform local decision-making on housing policy,” Jeanette says. “And the report’s data should help nonprofits as well in terms of how they work with their city councils.” She emphasizes a key consideration, “In each case, is this a question of something that can be done to effect a change on the local level—or do we need to effect changes at the Legislative level?”




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*“If you want affordable housing in your community, are you enabling it to happen—or putting up barriers?”*

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Wanda and Jeanette discussed how affordable housing policies should be viewed in the context of multiple interrelated issues, including employment, transportation, housing preferences and needs for future generations, and land use policies. Here are several of their observations:

- *As people age, do we have the right housing choices for them? We need to challenge our assumptions about the needs and aspirations of different population groups and age groups.*
- *Where is the housing going up? Where are the future jobs? If affordable housing is not close to jobs, you’ve got transportation issues.*
- *How easy do jurisdictions make it to build in the areas where more affordable housing is needed? How many roadblocks do they put up?*

“Getting back to the comprehensive plans,” Wanda says, “these are truly the vision for each community—the regulations that they develop to make that happen.” She gives the example of certain jurisdictions’ land-use restrictions driving up the costs of multi-family housing and, in some cases, prohibiting it. “If you want affordable housing in your community, are you enabling it to happen—or putting up barriers?”

In the light of the data from this report, say Jeanette and Wanda, our policy makers need to reevaluate what’s working in our current housing programs—and what isn’t. Jeanette asks, “Are they effective? Where should we make some modifications?” ■

### Glossary

#### **COMPREHENSIVE PLAN:**

A process that determines community goals and aspirations in terms of community development, which in turn dictates public policy in terms of transportation, utilities, land use, recreation, and housing.

## Kevin Grossman: “Affordability is not just an issue for low-income people.”



**KEVIN GROSSMAN**  
Tacoma-based Housing Developer and Manager

Kevin Grossman is serving his second term on AHAB; he holds the board’s “For-Profit Rental Housing Owner” seat. He’s a Tacoma-based housing developer and manager who has previously worked in the communities of Lynnwood and Bellingham. Currently, Kevin and his partners own and manage two properties in Tacoma’s Hilltop neighborhood, and are also rehabbing two historic buildings there in a collaborative project with Tacoma Housing Authority (THA).

Kevin jokes that he’s one of the few ‘market-rate’ representatives on AHAB. He serves on AHAB, he says, because “affordability is very important, whether it’s modest-income families who are in subsidized housing—or whether it’s middle-class families who want to buy a home that’s affordable. AHAB appeals to me because we’re made up of a cross section of private-sector, government, and nonprofit interests. We find areas of common ground across these groups.”

For Kevin, that’s why the *Housing Needs Assessment* is important, too: “I think the data supports the concern that affordability is not just an issue for low-income people. It’s an issue, especially in some areas of King County and elsewhere, for middle-income people as well.”

He says his “key takeaway” from the report is that “it’s a first cut at creating a replicable, data-driven picture of housing affordability across Washington State. This is critical in ensuring the intelligent allocation of limited resources. Now we have some hard information that supports what I think a lot of people knew at a gut level.”

The report also puts a spotlight “on the huge differences in affordability of homeownership,” Kevin says. “A median-income household can buy a modest, nice house in Tacoma in many neighborhoods. But if you’re a middle-income family along the 520 corridor, you’re out of luck.”

Kevin sees his own business as part of the continuum of housing solutions in his

community. “Even though I own apartment buildings that in some cases compete with the THA for tenants, I see them as partners in the overall mix. They serve a very important role in the community.”

His current rehab project came about when the City of Tacoma was challenged with resuscitating a large residential property it had purchased. Part of the property made sense as a development project for THA. The remainder—two historic buildings—penciled out better as a privately funded rehab project.

Joining forces with THA’s executive director Michael Mirra, Kevin says, “we proposed this collaborative project together to the city. Now we’re getting the best of both the private and nonprofit worlds. We’re coordinating on the design and the parking, and how that all will work together.”

Kevin’s collaborative philosophy is in itself an important takeaway. If we’re to make a difference in strengthening housing affordability in the years ahead, we’ll accomplish far more if we work toward this goal together. ■



**LEFT:** Kevin Grossman and his partners are renovating two historic mixed-use buildings in the Hilltop neighborhood. They are partnering with Tacoma Housing Authority in building adjacent affordable residential housing.



## Snapshot: Spokane

For Cindy Algeo, the *Housing Needs Assessment* is an affirmation of what she already knew, from her own data gathering and experience as the executive director of the Spokane Low-Income Housing Coalition.

“It especially confirmed that people at 30% of median income and below are the most cost-burdened and least likely to be able to afford housing,” she says.

In Spokane County, she points out, 28,000 households earn less than \$15,000 a year. With 8,000 subsidized housing units and 4,000 rental vouchers, that leaves 16,000 without an affordable housing option.

“Where those people live, we can only guess,” Cindy says. “But we can safely say those 16,000 are rent-burdened or are living in substandard housing. Or both.”

Telling that story is a key way that the *Housing Needs Assessment* data can help shape local Spokane decision-making. “It certainly shows the need—it’s a great justifier for increasing housing resources. All these stats can be used as we’re completing our local consolidated plan and homelessness plan.

“Especially, she says, the report’s data on the gap between the number of households and the number of affordable and available housing units.

“The gap is going to be really helpful—it’s something we didn’t have and is really appreciated,” Cindy says.

It’s also, for her, another way of looking at the affordable-housing glass. She certainly sees the empty half. But she also sees the filled half: the projection that the gap will narrow over the next five years.

“Sometimes I think we don’t want to admit that there’s good news,” she says. “We do want to make progress, and we’ve got to celebrate that, too.”

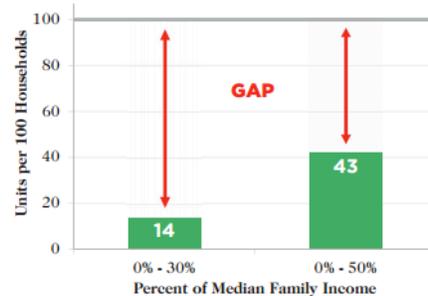


**CINDY ALGEO**  
Spokane Low-Income Housing Coalition,  
Executive Director

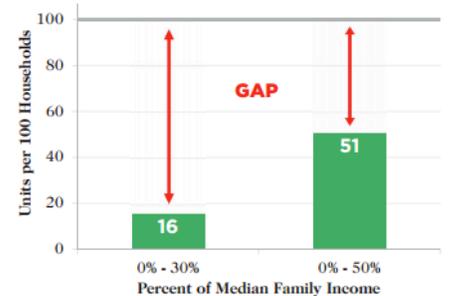
## Housing Needs Assessment: Spokane Area

### Affordable Housing Gap

Affordable and Available Housing Units for Every 100 Households



Forecasted Affordable and Available Housing Units for Every 100 Households in 2019





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Now that we know where we stand,  
the focused conversations have begun.

I'm excited about the opportunities that the **Housing Needs Assessment** presents. I hope we can take advantage of this objective data to make the best use of the resources we have in addressing our state's most pressing affordable housing needs.

To read the Housing Needs Assessment and see housing profiles for more than 55 Washington state counties and metro areas, visit [commerce.wa.gov/housingneeds](http://commerce.wa.gov/housingneeds).

## 2015 *Housing Needs Assessment* Funders



*Opening doors to a better life*



**Department of Commerce**  
Innovation is in our nature.



**The Washington State Housing Finance Commission is a publicly accountable, self-supporting team, dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington.**



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