MEMORANDUM

TO: Housing Allocation Project Partners

FROM: Michael Ambrogi, Senior Planner

DATE: November 15, 2023

SUBJECT: GMA Housing Need Allocation Methods
            Technical Memo

OVERVIEW

In 2021, the Washington State Legislature passed HB 1220 which requires cities, towns, and counties to "plan for and accommodate" future housing affordable to a range of incomes and to document the projected housing need each jurisdiction is planning for in its comprehensive plan. The state Department of Commerce (Commerce) identified the countywide housing need by income range and recommended cities, towns, and counties work collaboratively to allocate the countywide housing need to individual jurisdictions.

In 2023, Thurston County and the cities of Lacey, Olympia, Tumwater, and Yelm (the "project partners") contracted with Thurston Regional Planning Council to:

- Convene a workgroup consisting of planning directors and staff from the project partners. Staff from the city of Rainier, city of Tenino, and town of Bucoda were also invited to participate.
- Review options for allocating the housing need among jurisdictions.
- Facilitate a process among workgroup members to reach consensus on a preferred allocation method that meets the values of the project partners.

This memo documents the housing need allocation process and the workgroup's preferred allocation method.

HOUSING NEED ALLOCATION PROCESS

Between August and October, TRPC convened a workgroup that included Planning Directors and staff from Thurston County and the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. This group identified the following shared values to assess different housing need allocation methods and select a preferred approach:

- **Fair**
    - Distributes new low-income units across all jurisdictions
    - Recognizes the differences among jurisdictions and existing housing distribution
    - Recognizes needs of community members – especially people who rely on permanent supportive housing and emergency housing

- **Clear**
    - Easy to communicate to public and elected officials
    - Tailored to jurisdiction boundaries (including UGAs)
    - Uses established methods to limit risk of legal challenges

- **Cooperative**
    - Builds on existing structures and processes – including the Regional Housing Council, Comprehensive Plan updates, Countywide Planning Policies
    - Supported by all workgroup members

The workgroup reviewed two allocation methods provided by Commerce (Method A and Method B), plus the allocation methods used by King, Kitsap, Pierce, and Snohomish Counties (See Appendix I). The workgroup preferred the method used by Snohomish County because it best achieves the values described above. This method is described in the following sections.

COUNTYWIDE HOUSING NEEDS

HB 1220 builds on existing requirements for jurisdictions to plan for population growth. TRPC's most recent population and employment forecast (adopted in 2018) estimates that 54,356 new housing units will be needed between 2020 and 2045 to support projected population growth (88,707 new people). Table 1 shows the number of housing units projected for each jurisdiction. These projections were developed consistent with Thurston County's Countywide Planning Policies.

Table 1: TRPC Projected Housing Need by Jurisdiction

		Housing Units			Population		
		2020 Census	2045 TRPC Projection	2020-2045 Projected Need	2020 Census	2045 TRPC Projection	2020-2045 Projected Need
Bucoda	Town	241	375	134	600	800	200
Lacey	City	23,042	28,196	5,154	53,526	60,900	7,374
	UGA	13,562	22,532	8,970	37,733	52,540	14,807
Olympia	City	25,642	38,286	12,644	55,605	72,040	16,435
	UGA	5,093	6,744	1,651	12,480	15,610	3,130
Rainier	City	850	1,421	571	2,369	3,165	796
	UGA	54	77	23	133	160	27
Tenino	City	780	1,299	519	1,870	2,790	920
	UGA	5	14	9	26	45	19
Tumwater	City	11,064	17,740	6,676	25,350	37,380	12,030
	UGA	1,210	3,726	2,516	3,357	8,690	5,333
Yelm	City	3,456	10,960	7,504	10,617	25,890	15,273
	UGA	515	659	144	1,514	1,670	156
Grand Mound	UGA	424	734	310	1,358	2,745	1,387
Rural Unincorporated		35,500	43,031	7,531	88,255	99,085	10,830
Total		**121,438**	**175,794**	**54,356**	**294,793**	**383,500**	**88,707**

Note: Data for jurisdiction boundaries as of September 1, 2023

HB 1220 adds a requirement that jurisdictions plan for a specific number of housing units affordable for moderate, low, very low, and extremely low-income households; and emergency housing, emergency shelters, and permanent supportive housing. Commerce's Housing for All Planning Tool (HAPT)[1] provided the estimates of housing need for each income range and housing type shown in Table 2. Income ranges are expressed as a percent of the area median income; the equivalent household incomes for the Thurston region in 2023 are shown in Table 3. While HB 1220 does not require jurisdictions to plan for housing affordable to households earning more than 120% of the area median income, this need is included so the number of units can be summed up to the total.

While cities, towns, and counties have discretion over how this need is allocated among the jurisdictions, the countywide housing need identified by Commerce for each income range cannot be changed.

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[1] https://deptofcommerce.app.box.com/s/48o8fzedzxnh63xth6aofi2jc2npcjoa

Table 2: Dept. of Commerce Housing Needs by Income Level for Thurston County

	Estimated Supply (2020)	Total Future Supply (2045)	Net Need (2020-2045)	Estimated Supply (2020)	Total Future Supply (2045)	Net Need (2020-2045)
Housing Units						
0-30% AMI (PSH)	180	3,774	3,594	0.1%	2.1%	6.6%
0-30% AMI (Non-PSH)	2,874	11,632	8,758	2.4%	6.6%	16.1%
30-50% AMI	12,405	20,836	8,431	10.2%	11.9%	15.5%
50-80% AMI	38,285	46,555	8,270	31.5%	26.5%	15.2%
80-100% AMI	26,403	30,776	4,373	21.7%	17.5%	8.0%
100-120% AMI	15,489	19,870	4,381	12.8%	11.3%	8.1%
120%+ AMI	24,476	41,025	16,549	20.2%	23.3%	30.4%
Other	1,327	1,327	0	1.1%	0.8%	0.0%
Total	**121,438**	**175,794**	**54,356**	**100.00%**	**100.00%**	**100.00%**
Emergency Housing (Beds)	**626**	**1,562**	**936**	**—**	**—**	**—**

Note: "AMI" refers to the area median family income, which HUD estimates was $102,500 in 2023 for Thurston County. Income ranges are expressed relative to the AMI. "PSH" is permanent supportive housing. "Other" includes recreational, seasonal, or migrant labor housing. Numbers may not add up to totals due to rounding. Housing types are defined in RCW 36.70A.030.

Table 3: Household Incomes Associated with Area Median Income (AMI) Percentages

Household Income Category	Percent of Area Median Family Income	Equivalent Household Income (2023 HUD Estimates)
Emergency Housing/Shelter	N/A	N/A
Permanent Supportive Housing	0-30% AMI	Less than $30,750
Extremely Low-Income Household		
Very Low-Income Household	30-50% AMI	$30,750 to $51,250
Low-Income Household	50-80% AMI	$51,250 to $82,000
Moderate-Income Household	80-100% AMI	$82,000 to $102,500
	100-120% AMI	$102,500 to $123,000
Other	>120% AMI	$123,000 and greater

Note: Housing types are defined in RCW 36.70A.030.

BASELINE HOUSING SUPPLY

The workgroup agreed that it was important to plan for housing in both the incorporated and unincorporated urban growth areas of each jurisdiction. Since the tools provided by Commerce did not provide estimates for UGAs, TRPC revised the baseline housing supply estimates provided by Commerce using the assumptions listed below. In addition, TRPC revised the baseline supply to reflect current (September 1, 2023) jurisdiction boundaries.

- Use TRPC's parcel-level housing estimates where newly annexed jurisdiction boundaries do not align with 2020 Census blocks.
- The percentage of housing by income range in each UGA is the same as what Commerce estimated in the HAPT tool for its adjacent incorporated area.
- There is no permanent supportive housing or emergency housing in the unincorporated UGA.
- Any permanent supportive housing units where Commerce was unable to determine the jurisdiction (68 units total) were assumed to be in Olympia based on data provided by Olympia staff in the 2023-2027 Thurston-Olympia Consolidated Plan.
- The revised housing supply uses newly released 2020 decennial census data on seasonal and migrant housing instead of American Community Survey (ACS) estimates used in the Commerce HAPT tool. (While HB 1220 does not require jurisdictions to plan for seasonal and migrant housing, these units are removed from the available housing supply.)

ALLOCATION METHOD A

Method A is one of two allocation methods described in Commerce's guidelines. Commerce provided jurisdiction-level data for this method in the Housing for All Planning Tool (HAPT). Method A assumes that each jurisdiction will plan for an equal share of new housing units affordable to each income range. Jurisdictions that currently have a lower-than-average share of affordable housing will remain less affordable in 2045. The results of Method A are shown in Table 7.

Kitsap and Pierce Counties chose to use Method A.

ALLOCATION METHOD B

Method B is one of two allocation methods described in Commerce's guidelines. Commerce provided jurisdiction-level data for this method in the Housing for All Planning Tool (HAPT). Method B assumes that jurisdictions that are less affordable now will be allocated a higher-than-average share of affordable housing. By 2045, the share of total housing — both new and existing — affordable to households in each income range will be the same in every jurisdiction. The results of Method B are shown in Table 8.

This method may result in negative allocations. This occurs when a jurisdiction's current supply of housing in an income range exceeds the total need in 2045.

No counties have chosen to use Method B.

PREFERRED ALLOCATION METHOD

The workgroup preferred the method used by Snohomish County, which is a hybrid of Method A and Method B. The preferred method best achieves the shared values identified above out of the options reviewed. The preferred method:

- Begins with an expectation that each jurisdiction should plan for the same share of the new housing need in each income range, but credits jurisdictions that currently have a higher-than-average share of low-income housing.
- Results in allocations that are positive and consistent with the housing need projected for each jurisdiction (Table 1) and for each income range countywide (Table 2).
- Is consistent with the Countywide Planning Policies and is supported by all workgroup members.

This process for calculating the preferred housing allocations is described on page 6; Table 4 shows the calculations for the very low-income housing need. Emergency housing is allocated proportionally to each jurisdiction's projected housing growth.

Table 9 at the end of the memo shows the 2020-2045 housing need allocation preferred by the workgroup.

Table 4: Preferred Method Sample Calculation of the Very-Low-Income (30-50% AMI) Housing Need.

	2020 Very Low-Income Housing Supply	Step 1 Equal-Share Housing Need	Step 2 Theoretical 2020 Supply	Step 3 Adjustment Factor	Step 4 Initial Allocation	Step 5 Final Allocation
Bucoda	120	21	25	-96	Less than 0	0
Lacey	1,832	799	2,371	539	1,338	1,053
Olympia	1,782	1,961	2,635	853	2,814	2,777
Rainier	211	89	88	-123	Less than 0	0
Tenino	211	80	81	-130	Less than 0	0
Tumwater	1,099	1,036	1,138	39	1,075	1,033
Yelm	247	1,164	356	109	1,273	1,196
UGAs[A]	1,654	2,113	2,139	486	2,599	2,373
Rural	5,249	1,168	3,573	-1,677	Less than 0	0
Total	**12,405**	**8,431**	**12,405**	**0**	**9,099[B]**	**8,431**

Notes: A) The need is calculated separately for each jurisdiction's UGA. They are aggregated here for simplicity. B) Sum of positive values.

Preferred Housing Allocation Method

The following steps describe the method used to calculate the preferred housing allocations. The calculations for the City of Lacey are provided to illustrate the process.

Step 1: Same-Share Housing Need

Calculate each jurisdiction's 2020-2045 housing need, assuming the same percentage is affordable in every jurisdiction. This is the same as Allocation Method A in Commerce's HAPT tool.

Under Method A, Lacey needs to plan for 799 housing units affordable to a very low-income household. That is 15.5% of the city's overall housing need of 5,154 units (the same percentage in every jurisdiction).

Step 2: Housing Need Adjustment Factor

Calculate the theoretical 2020 housing supply. This is the number units a jurisdiction would have if every jurisdiction had the same share of housing in each income range.

Currently only 8.0% of housing units in Lacey are affordable to a very-low-income household, lower than the countywide average of 10.3%. Lacey would have 2,371 housing units affordable to a very low-income household if its share was the same as the county average.

Step 3: Theoretical Housing Baseline

Subtract the theoretical 2020 housing supply (Step 2) from the actual 2020 housing supply.

Lacey currently has 1,832 housing units affordable to a very-low-income household. Lacey's housing need adjustment factor for the very-low-income range is 539 housing units (2,371 minus 1,832).

Step 4: Initial Housing 2020-2045 Need

Add the housing need adjustment (Step 3) to the Method A allocation (Step 1). Set any negative allocations (oversupply) in Step 4 to zero.

Lacey's initial housing need is 1,338 housing units (799 plus 539). If this number had been negative, it would be set to zero.

Step 5: Final 2020-2045 Housing Need

Removing the negative allocations results in total housing numbers that are higher than Commerce's estimate of housing need. Reduce the allocations generated in Step 4 using iterative proportional fitting (IPF) to match both TRPC's housing projections for each jurisdiction and the countywide housing need in each income range identified by Commerce.

After the negative allocations in Step 4 are set to zero, the total housing allocation is 6,191 units too high. The initial allocations are reduced proportional to the initial allocation to match the housing totals in Tables 1 and 2.

Step 6: Emergency Housing

Each jurisdiction's 2020-2045 emergency housing and shelter need is proportional to jurisdictions' projected share of countywide housing growth.

9.5% of countywide housing growth is projected to occur in Lacey, so 9.5% of the emergency housing need — 89 beds — is allocated to Lacey.

Table 6: 2020 Housing Supply by Income

		Total	Income Level (Percent of Area Median Income)								Emergency Housing
			0-30%		30-50%	50-80%	80-100%	100-120%	120%+	Seasonal/ Migrant	
			PSH	Non-PSH							
			Housing Units								Beds
Bucoda	Total	241	0	10	120	92	7	3	7	2	0
Lacey	City	23,042	10	461	1,832	7,926	6,815	2,782	3,130	85	0
	UGA	13,562	0	271	1,075	4,652	3,999	1,633	1,837	96	0
Olympia	City	25,642	164	913	1,782	9,880	5,745	3,205	3,822	131	626
	UGA	5,093	0	182	356	1,971	1,146	639	763	36	0
Rainier	City	850	0	17	211	300	211	36	76	0	0
	UGA	54	0	1	13	18	13	2	5	2	0
Tenino	City	780	0	34	211	416	82	12	26	0	0
	UGA	5	0	0	1	3	1	0	0	0	0
Tumwater	City	11,064	0	266	1,099	4,159	2,588	1,296	1,612	45	0
	UGA	1,210	0	29	120	454	283	142	176	6	0
Yelm	City	3,456	0	76	247	1,500	1,102	178	347	7	0
	UGA	515	0	11	37	222	163	26	51	4	0
Grand Mound	UGA	424	0	8	52	107	76	60	116	4	0
Rural Unincorporated		35,500	6	594	5,249	6,585	4,173	5,475	12,509	909	0
Thurston County		**121,438**	**180**	**2,874**	**12,405**	**38,285**	**26,403**	**15,489**	**24,476**	**1,327**	**626**

Note: Numbers may not add to totals due to rounding.

Table 7: Method A 2020-2045 Housing Unit Need

		Total	Income Level (Percent of Area Median Income)								Emergency Housing
			0-30%		30-50%	50-80%	80-100%	100-120%	120%+	Seasonal/ Migrant	
			PSH	Non-PSH							
			Housing Units								Beds
Bucoda	Total	134	9	22	21	20	11	11	41	0	2
Lacey	City	5,154	341	830	799	784	415	415	1,569	0	89
	UGA	8,970	593	1,445	1,391	1,365	722	723	2,731	0	154
Olympia	City	12,644	836	2,037	1,961	1,924	1,017	1,019	3,850	0	218
	UGA	1,651	109	266	256	251	133	133	503	0	28
Rainier	City	571	38	92	89	87	46	46	174	0	10
	UGA	23	2	4	4	3	2	2	7	0	0
Tenino	City	519	34	84	80	79	42	42	158	0	9
	UGA	9	1	2	1	1	1	1	3	0	0
Tumwater	City	6,676	441	1,076	1,036	1,016	537	538	2,033	0	115
	UGA	2,516	166	405	390	383	202	203	766	0	43
Yelm	City	7,504	496	1,209	1,164	1,142	604	605	2,285	0	129
	UGA	144	10	23	22	22	12	12	44	0	2
Grand Mound	UGA	310	21	50	48	47	25	25	94	0	5
Rural Unincorporated		7,531	498	1,213	1,168	1,146	606	607	2,293	0	130
Thurston County		**54,356**	**3,594**	**8,758**	**8,431**	**8,270**	**4,373**	**4,381**	**16,549**	**0**	**936**

Note: Numbers may not add to totals due to rounding.

Table 8: Method B 2020-2045 Housing Unit Need

		Total	0-30%		30-50%	50-80%	80-100%	100-120%	120%+	Seasonal/ Migrant	Emergency Housing
			PSH	Non-PSH							
			Housing Units								Beds
Bucoda	Total	134	8	15	-76	8	59	39	80	1	3
Lacey	City	5,154	595	1,404	1,510	-459	-1,879	405	3,450	128	251
	UGA	8,970	484	1,220	1,596	1,316	-55	914	3,421	74	200
Olympia	City	12,644	658	1,620	2,756	259	957	1,122	5,113	158	-286
	UGA	1,651	145	264	444	-185	34	123	811	15	60
Rainier	City	571	30	77	-43	76	38	125	256	11	13
	UGA	23	2	4	-4	2	1	7	13	-1	1
Tenino	City	519	28	52	-57	-72	145	135	277	10	12
	UGA	9	0	1	0	1	2	2	3	0	0
Tumwater	City	6,676	381	908	1,004	539	518	710	2,529	89	158
	UGA	2,516	80	217	322	532	370	280	693	22	33
Yelm	City	7,504	235	649	1,052	1,403	817	1,061	2,211	76	97
	UGA	144	14	32	42	-48	-48	48	102	1	6
Grand Mound	UGA	310	16	40	35	87	53	23	55	2	7
Rural Unincorporated		7,531	918	2,253	-149	4,811	3,360	-612	-2,466	-584	382
Thurston County		**54,356**	**3,594**	**8,758**	**8,431**	**8,270**	**4,373**	**4,381**	**16,549**	**0**	**936**

Note: Numbers may not add to totals due to rounding.

Table 9: Preferred Method 2020-2045 Housing Unit Need

		Total	Income Level (Percent of Area Median Income)								Emergency Housing
			0-30%		30-50%	50-80%	80-100%	100-120%	120%+	Seasonal/ Migrant	
			PSH	Non-PSH							
			Housing Units								Beds
Bucoda	Total	134	7	13	0	5	39	24	47	0	2
Lacey	City	5,154	335	849	1,053	210	0	466	2,241	0	89
	UGA	8,970	650	1,599	1,552	1,395	0	750	3,024	0	154
Olympia	City	12,644	818	2,011	2,777	264	973	1,087	4,714	0	218
	UGA	1,651	128	226	397	0	103	136	661	0	28
Rainier	City	571	41	100	0	79	22	107	222	0	10
	UGA	23	2	4	0	2	0	5	10	0	0
Tenino	City	519	32	62	0	0	115	102	208	0	9
	UGA	9	1	2	1	1	1	1	3	0	0
Tumwater	City	6,676	513	1,211	1,033	541	400	636	2,342	0	115
	UGA	2,516	181	439	364	439	190	199	704	0	43
Yelm	City	7,504	549	1,341	1,196	1,062	274	817	2,266	0	129
	UGA	144	8	19	25	0	0	34	58	0	2
Grand Mound	UGA	310	21	52	34	97	40	16	50	0	5
Rural Unincorporated		7,531	311	832	0	4,174	2,214	0	0	0	130
Thurston County		**54,356**	**3,594**	**8,758**	**8,431**	**8,270**	**4,373**	**4,381**	**16,549**	**0**	**936**

Note: Numbers may not add to totals due to rounding.

APPENDIX I: SUMMARY OF HOUSING NEED ALLOCATION METHODS REVIEWED

Method A (Kitsap County, Pierce County)

Method A is one of two allocation methods described in Commerce's guidelines. Commerce provided jurisdiction-level data for this method in the Housing for All Planning Tool (HAPT). Method A assumes that each jurisdiction will plan for an equal share of new housing units affordable to each income range. Jurisdictions that currently have a lower-than-average share of affordable housing will remain less affordable in 2045.

Kitsap and Pierce counties chose to use Method A. Both counties were adopting new housing targets which left less time and resources available to develop their own methodologies.

- Kitsap County housing allocations (Adopted at the June 1, 2023 Kitsap Regional Coordinating Council meeting): https://static1.squarespace.com/static/5660ba88e4b0e83ffe8032fc/t/6479445a95234d31724d8ac9/1685668956655/0.+6.6.23+Board++Action+packet.pdf

- Pierce County housing allocations (Adopted at the June 20, 2023 Pierce County Council meeting): https://online.co.pierce.wa.us/cfapps/council/iview/proposal.cfm?proposal_num=2023-22s

Method B (Not used by any counties)

Method B is one of two allocation methods described in Commerce's guidelines. Commerce provided jurisdiction-level data for this method in the Housing for All Planning Tool (HAPT). Method B assumes that jurisdictions that are less affordable now will be allocated a higher-than-average share of affordable housing. By 2045, the share of total housing — both new and existing — affordable to households in each income range will be the same in every jurisdiction.

While several of the counties TRPC staff met with liked the intent of Method B, in some jurisdictions the method produced allocations that were less than zero, which made communicating the allocations and developing policies challenging.

King County

King County developed its own housing need allocation method. The method started with the Method A allocations, and adjusted them up or down based on three factors:

- Percent share of housing that is currently affordable (0-80% AMI)
- Percent share of housing that is currently income-restricted at 0-80% AMI
- Ratio of low-wage jobs to low-wage workers

This was intended to give jurisdictions some credit for existing low-income housing. It also sought to allocate more affordable housing in places with a large number of low-wage jobs to reduce transportation costs for low-income households.

- King County housing allocations (Adopting at the June 27, 2023 King County Council meeting): https://kingcounty.legistar.com/LegislationDetail.aspx?ID=6267191&GUID=FA36CEE0-0E16-4874-9F5D-E880DB3BFFD3

- King County Housing Needs Dashboard: https://tableaupub.kingcounty.gov/t/Public/views/AllocationMethodComparisonsUpdated/AllocationsStory?%3Aembed=y&%3AisGuestRedirectFromVizportal=y

Snohomish County

Snohomish County used a simplified version of King County's method, adjusting the allocations in Method A based on the distribution of existing affordable housing. The Snohomish County method was preferred by the project partners and is described in this memo.

- Snohomish County *Housing Characteristics and Needs Report, aka "HO-5"* (Adopted at the May 24, 2023 Snohomish County Tomorrow Steering Committee meeting): https://www.snohomishcountywa.gov/AgendaCenter/SCT-Steering-Committee-21/?#_05242023-2089
https://snohomishcountywa.gov/6039/Housing-Characteristics-and-Needs-Report