

OLYMPIA DOWNTOWN STRATEGY

HOUSING AFFORDABILITY DATA AND ISSUES

Housing affordability is determined by the relationship of housing cost and income levels. This document addresses the definitions of affordable housing and the relationship between income and housing cost for the City, Thurston County and Downtown Olympia.

US Department of Housing and Urban Development (HUD) Definition and Parameters

HUD provides parameters that determine eligibility for various housing programs. Income thresholds are defined based on the median family income for Thurston County. The overall median income for 2016 is \$73,600, broken down by family size and income level as shown below. Affordable housing costs by unit type are specified by household size and calculated at 30% of income as shown in the table as well. Income levels below 50% of median income are defined as very low; income levels between 50% and 80% of median income are defined as low; and income levels between 80% and 100% of median income are defined as moderate.

Median Family Income Thurston County 2016								
	% of Median Income							
Family Size	40%	50%	60%	70%	80%	90%	100%	110%
1 person	\$20,608	\$25,760	\$30,912	\$36,064	\$41,216	\$46,368	\$51,520	\$56,672
2 person	23,552	29,440	35,328	41,216	47,104	52,992	58,880	64,768
3 person	26,496	33,120	39,744	46,368	52,992	59,616	66,240	72,864
4 person	29,440	36,800	44,160	51,520	58,880	66,240	73,600	80,960
5 person	31,795	39,744	47,693	55,642	63,590	71,539	79,488	87,437
Affordable Monthly Housing Cost								
	% of Median							
	40%	50%	60%	70%	80%	90%	100%	110%
Studio	\$515	\$644	\$773	\$902	\$1,030	\$1,159	\$1,288	\$1,417
1 Bedroom	589	736	883	1,030	1,178	1,325	1,472	1,619
2 Bedroom	662	828	994	1,159	1,325	1,490	1,656	1,822
3 Bedroom	765	957	1,148	1,340	1,531	1,722	1,914	2,105
4 Bedroom	827	1,033	1,240	1,447	1,653	1,860	2,067	2,273
	Very Low		Low			Moderate		

Housing and Transportation Spending Relationships

Provision of housing in more dense urban settings provides a walkable environment and supports more extensive public transit systems, thereby reducing dependence on private automobiles. The US Census Bureau's Consumer Expenditure Survey identifies spending patterns for households. According to the 2014 survey, for the country as a whole households in rental units spent 31% of their income on shelter and 47% on shelter plus transportation. The former figure corresponds to the 30% figure used to calculate affordable rental rates. However, households in rental units

could afford to spend up to 47% of their income if they could reduce their transportation expenditures.

Olympia Income Levels

Income data from American Community Survey for 2010-2014 provides a breakout by income interval for the City of Olympia.

Olympia Income Distribution		
American Community Survey 2010-2014		
	Households	Families
Less than \$10,000	1,917	622
\$10,000 to \$14,999	1,071	319
\$15,000 to \$24,999	2,110	763
\$25,000 to \$34,999	1,936	842
\$35,000 to \$49,999	2,877	946
\$50,000 to \$74,999	3,556	1,780
\$75,000 to \$99,999	2,783	1,916
\$100,000 to \$149,999	2,995	2,450
\$150,000 to \$199,999	712	584
\$200,000 or more	700	588
Total	20,657	10,810
Median	\$67,838	\$76,151
80% of Median	\$54,270	\$60,921
50% of Median	\$33,919	\$38,076

Interpolating these figures, the income distribution for the City of Olympia is approximately:

Very Low Income	Below 50% of City Median	33% of City households
Low Income	50% to 80% of City Median	15% of City households
Moderate Income	80% to 100% of City Median	2% of City households
Medium and High Income	Above 100% of City Median	50% of City households

The Median family income is similar to the HUD rate for the County. Accordingly, the affordable monthly housing costs will be similar to the levels shown in the first table.

ACS data report the median household income for households in owner-occupied units was \$79,663, and the median for renter-occupied units was \$32,594. What is an affordable level of rent determined from data for all households will be significantly higher than what is affordable for households in renter occupied units.

Market Rents in Olympia

Dupre and Scott report apartment rent and vacancy data for markets throughout the region. Rental rate data for Fall 2015 was documented in the Olympia Downtown Strategy Market Report and summarized below:

	Olympia	Olympia 2010 and Newer
Average Monthly Rent		
All	\$944	\$1,256
Studio	719	1,066
1 BR	830	1,178
2 BR/1 Ba.	906	1,305
2 BR/2Ba.	1,092	1,304
3 BR/2 Ba.	1,120	1,321

Even if the rents were adjusted to include tenant-paid utilities, the market rents for all size units in all buildings (Olympia column) are below affordable levels at 80% of median, the threshold for many federal housing programs as well as many state and local programs such as the multifamily tax exemption. From a developer's perspective, a market rent project may meet affordability thresholds.

However, it should be emphasized that these income thresholds are specified for all households at the county level. Households in renter-occupied homes have lower incomes and would find the market rents more challenging. A market rent for a one bedroom unit of \$1,178 per month would require 43% of monthly income for a typical household in a renter-occupied unit.

Downtown Olympia

The demographics of Downtown are very different than those for the City as a whole. The Market Report identified the following demographic conditions.

Population Characteristics Downtown Block Groups Census Tract 101

	Block Group 1 (no. of Legion)	Block Group 2 (so. of Legion)	Total
Population			
2000	667	809	1,476
2010	774	1,005	1,779
% Growth	16%	24%	21%
Characteristics 2010			
Median Age	57.1	32.6	
% Male	43.3%	56.1%	
Avg. HH size	1.18	1.42	
Median Income	\$14,319	\$31,994	

The median income for Downtown households was dramatically lower than for the City as a whole.

There are approximately 1,350 existing housing units Downtown, of which 721 are directly subsidized and 210 are unsubsidized low cost units. 299 new market rate units are under construction.

Conclusions

1. Median household income levels at the County level are relatively high and affordability parameters based on various percentages of income result in definitions of affordability that may not reflect the challenges to local households.
2. A household in a rental unit has a much lower median income, and units that are affordable based on percentages of median incomes for all households will require more than 30% of median income for households that rent.
3. Residents in neighborhoods with goods and services within easy walking distance and good transit service can afford to spend a higher share of their income on housing. While typical households spend 31% of their income on shelter, they spend 47% on shelter plus transportation.
4. Market rents in Olympia, even for newer buildings, meet the affordability definitions for many federal and state housing programs. From a developer's point of view, a market rate project can meet affordability thresholds.
5. Current income levels in Downtown Olympia are much lower than levels for the City and County as a whole. Accordingly, the mix of housing units includes a large number of subsidized units and unsubsidized low cost units. Several new market rate units are under construction and market rate units' share will increase significantly.
6. The share of total housing units Downtown that could be targeted to various income levels is an important policy question to be addressed in the Downtown Strategy. As one option, if the City wants the income mix downtown to mirror that of the City as a whole, then 33% of all units would be targeted to very low income, 17% to low and moderate income, and 50% to medium and high income households.