



Meeting Agenda

Land Use & Environment Committee

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360.753.8244

Monday, August 12, 2019

1:00 PM

Council Chambers

**Televised Special Meeting
Potential Quorum of the Olympia City Council**

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. COMMITTEE SESSIONS**
 - 3.A** [19-0701](#) Session One - Supporting Low Income and Supportive Housing Production

Attachments: [Olympia-Lacey Housing Profile](#)
[Housing Needs Assessment Exec Summary](#)
 - 3.B** [19-0717](#) Session Two - Encouraging Affordable Housing Production and Residential Construction
- 4. REPORTS AND UPDATES**
- 5. ADJOURNMENT**

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Land Use & Environment Committee

Session One - Supporting Low Income and Supportive Housing Production

Agenda Date: 8/12/2019
Agenda Item Number: 3.A
File Number: 19-0701

Type: discussion **Version:** 1 **Status:** In Committee

Title

Session One - Supporting Low Income and Supportive Housing Production

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Discuss ways Olympia can support the production of affordable housing for households up to 80 percent of area median income.

Report

Issue:

Whether to discuss ways the City of Olympia can incentivize construction and preservation of affordable housing for households up to 80 percent of area median income (AMI).

Staff Contact:

Cary Retlin, Home Fund Manager, Community Planning & Development, 360.570.3956

Presenter(s):

Cary Retlin, Home Fund Manager, Community Planning & Development

Background and Analysis:

The City of Olympia has adopted a variety of tools, incentives and programs designed to support housing production at a broad range of income levels. This discussion session will focus on multifamily supportive housing and other methods for building, supporting and maintaining housing for households with incomes up to 80 percent of area median income.

The traditional public housing construction process relies on a stack of local, county, state and federal resources to fund new construction. That process is complicated, expensive and slow. Cities like Bellingham and Vancouver have found that operating funds, not construction funds, are the real local limit to how many units can be built.

This meeting is intended to gather and hear from local and regional affordable housing experts to

address questions that include:

- How can Olympia get more units for households below 80 percent AMI?
- How can Olympia best deploy limited resources to support those units?
- Are the traditional methods the best? Are there other ways to do this work?
- How should resources be prioritized to achieve that result?

Neighborhood/Community Interests (if known):

Housing costs are likely to continue to rise faster than wages in Olympia and Thurston County. Affordable housing is a need for the community. Siting of public housing is concerning to many residents.

Options:

Discussion may result in future direction to staff related to this topic.

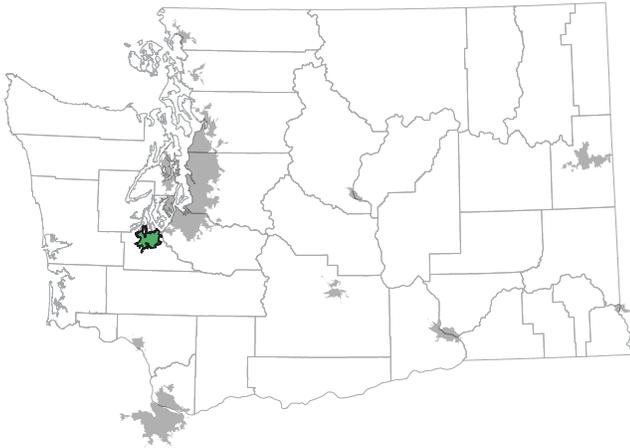
Financial Impact:

N/A

Attachments:

Olympia-Lacey Housing Profile
Housing Needs Assessment Executive Summary

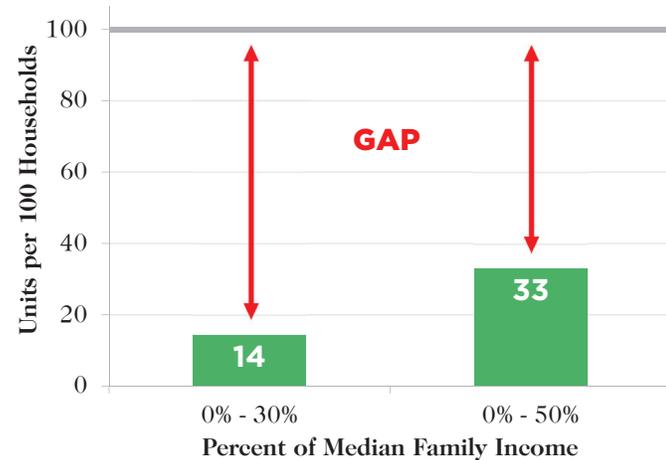
OLYMPIA-LACEY AREA



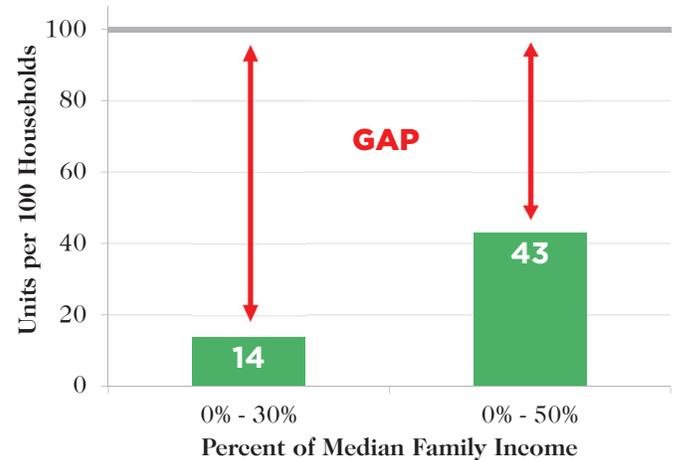
- Population: 177,704
- Area: 109 miles²
- Households: 72,632
- Median Family Income: \$75,000
- Low-income Renter Households: 15,250
- Subsidized Housing Units: 3,170

Affordable Housing Gap

Affordable and Available Housing Units for Every 100 Households



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

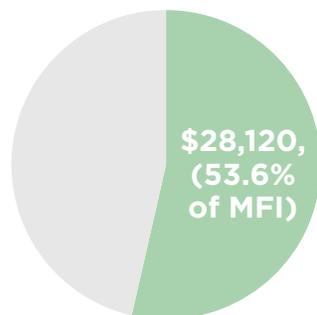
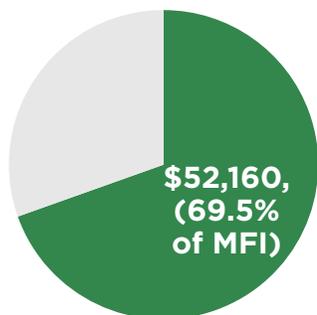


Housing Market

How Much of the Median Family Income (MFI) Must a Household Earn to Afford Rent?

4 people / 3 bedrooms
Fair Market Rent: \$1,304

1 person / 1 bedroom
Fair Market Rent: \$703

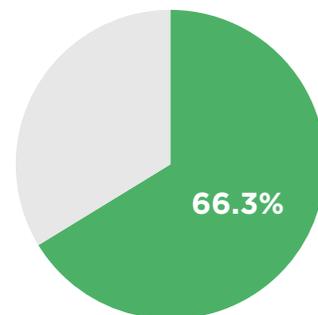


■ required income

■ required income

How Much of the Housing Stock Can the Median Family Income Afford to Buy?

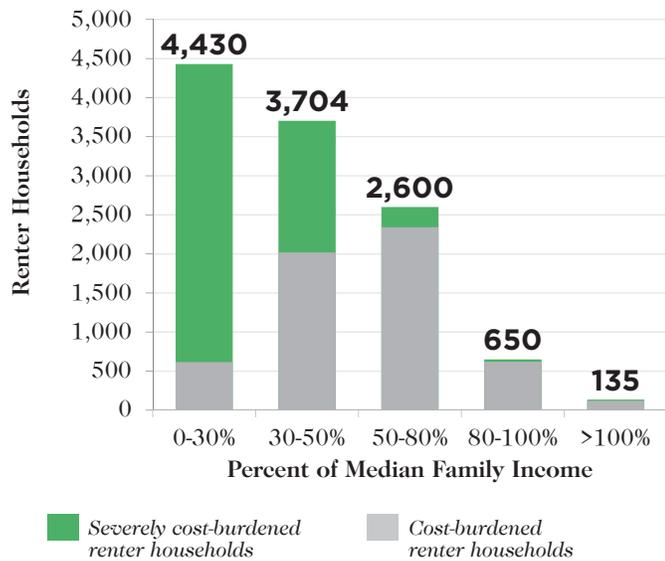
Maximum Affordable Home Value: \$292,675



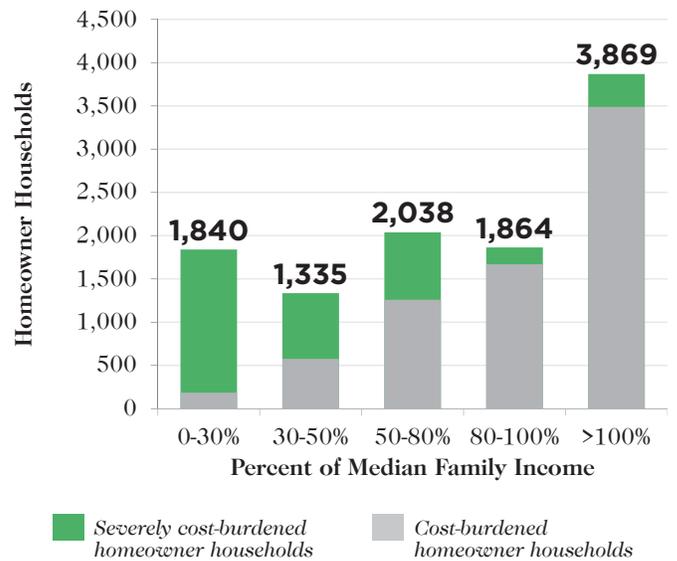
■ % of owner-occupied homes that are affordable

Cost Burden

Cost-Burdened **Renter** Households



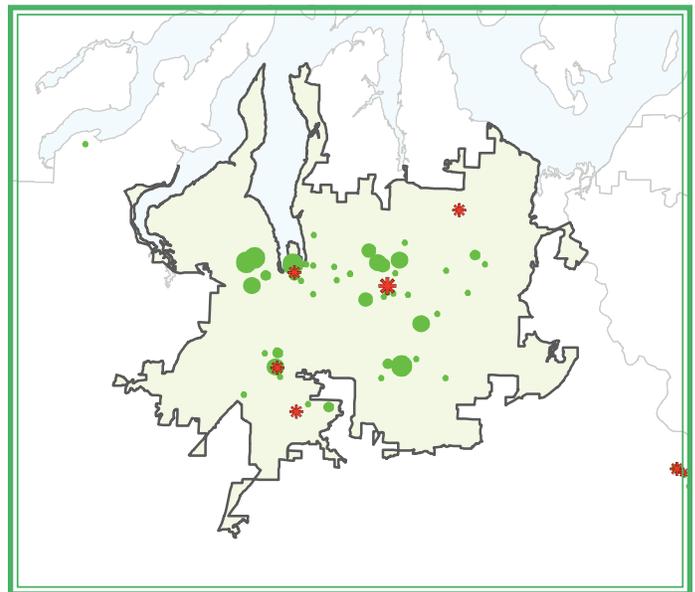
Cost-Burdened **Homeowner** Households



Subsidized Housing Inventory

Subsidized Housing Units, Including Those That Are Scheduled to Expire by 2017

- Subsidized unit
- * Expiring Section 8 or Section 515 unit
- 25 or fewer units
- 26-50
- 51-100
- 101-150
- 151 or more units



Subsidized Inventory Characteristics

- Sites: 59
- Units: 3,170
- Section 8/Section 515 units set to expire by 2017: 259

Are There Enough Subsidized Units for Eligible Renter Households at Different Income Thresholds?

% of Median Family Income	Renter Households	Subsidized Units for Which They Are Eligible*		Units per 100 Households
		#	%	
0% - 30%	5,430	2,227	100.0%	41
30% - 50%	4,165	1,753	78.7%	42
50% - 80%	5,655	95	4.3%	2
80% - 100%	2,949	0	0.0%	0

* Income eligibility was not available for all units in the inventory



State of Washington
HOUSING NEEDS ASSESSMENT

Executive Summary
January 2015

EXECUTIVE SUMMARY



This study is a snapshot of housing affordability in Washington

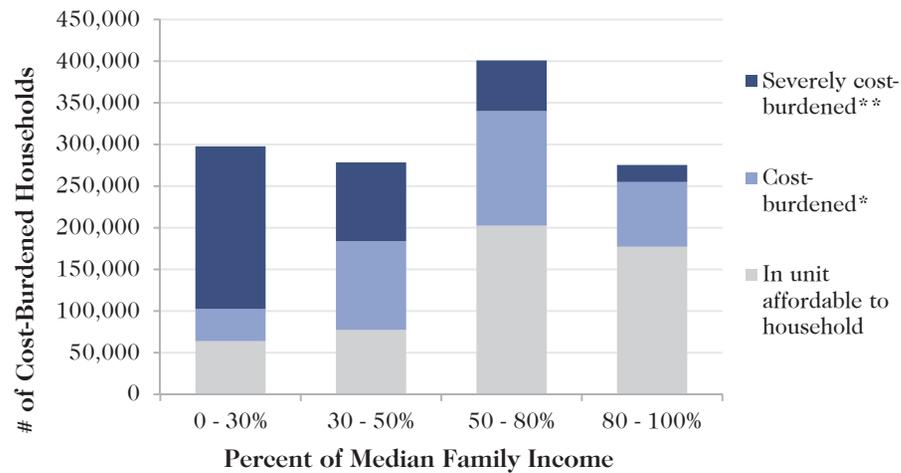
The *Housing Needs Assessment* was commissioned by the diverse, governor-appointed membership of the Washington State Affordable Housing Advisory Board to create an unbiased accounting of housing affordability in Washington. It is meant to serve as a foundation for current and future policy discussions. In future years this study can be replicated to understand trends and the effectiveness of policy decisions and investments.

Housing affordability is a problem in Washington State

Thirty-six percent (936,260) of Washington's households are cost-burdened. More than 390,000 households (15.2%) are severely cost-burdened. In fact, the proportion of the lowest-earning households (earning less than 30% of the state's median family income) that are severely cost-burdened is greater than those who can reasonably afford their housing.

Obviously, homelessness is another critical affordability problem one step beyond cost burden. While homelessness is not captured in cost-burden data, it is discussed in the *Housing Needs Assessment*.

Cost burden exists for all households earning below the median family income



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

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

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%

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

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

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

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

FAIR MARKET RENT: an estimate (which includes certain utilities) used by HUD to set standards for its programs

Affordability varies by region

There are housing affordability problems in every county in Washington, but the size and nature of the problem varies by region due to differences in housing costs and incomes.

For example, in Pierce County a four-person household needs an income of \$54,160 (75.5 percent of the local median family income) to afford to rent a three-bedroom apartment. That same apartment in Benton County would be affordable to a household earning \$40,600 (60.8 percent of the local median family income).

To account for these regional differences, the *Housing Needs Assessment* and *Housing Needs Geographic Profiles* describe affordability by counties and by sub-county areas, when data is available.

The private housing market does provide some affordable housing

Although most households with incomes below 50 percent of the state's median family income are cost-burdened, many households earning above 80 percent can find affordable market-rate housing.

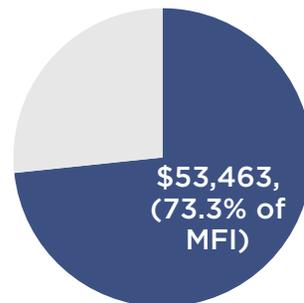
Similarly, 53.8 percent of owner-occupied housing units across the state are affordable to a household earning the median family income.

These statistics can also be viewed from another angle – what income does it take to afford the typical rent or the median valued home?

The minimum annual income required to afford the fair market rent for a three-bedroom unit ranged from \$31,360 in Ferry County to \$62,040 in King County. To afford to purchase the median home, the annual income required ranged from \$33,028 in Garfield County to \$118,502 in San Juan County.

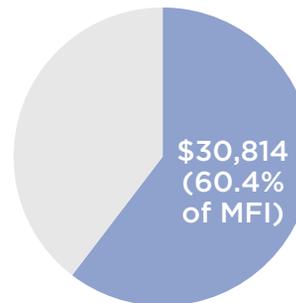
How much of the median family income (MFI) must a four- or one-person household earn to afford fair market rent?

4 people / 3 bedrooms
Fair Market Rent: \$1,337



■ required income

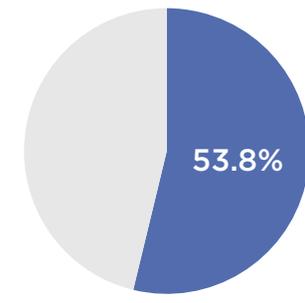
1 person / 1 bedroom
Fair Market Rent: \$770



■ required income

How much of the owner-occupied housing stock can the median family income afford to buy?

Max Affordable Home Value: \$287,812



■ % of homes that are affordable

Affordability is a considerable problem for lower-income households

For extremely low- and very low-income households, Washington State has a deficit of 327,136 affordable and available housing units.

In other words, for every 100 extremely low- and very low-income households, only 51 units are affordable and available to them.

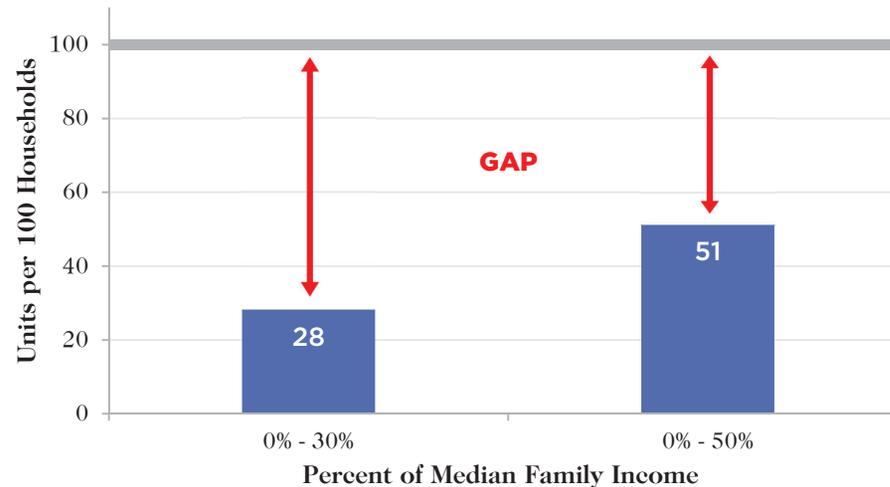
The remaining 49-unit gap represents households in the state who are paying more for housing than they can reasonably afford.

Since 2000, incomes in the state have declined by 2.4 percent but median rents have increased 7.8 percent in real dollars. This means that housing affordability in the state has been a growing problem over the past decade.

The state has a deficit of affordable and available housing units for extremely and very low-income households

% 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

Only 28 affordable units are available for every 100 extremely low-income households



Subsidized housing programs are attempting to close the gap

In Washington State, 118,092 units of subsidized rental housing have been built using state, local, federal and private capital funds. In addition to these physical units, 40,169 tenant-based rent vouchers are in circulation across the state.

Currently, at least 7,303 affordable units are in the development process, but 12,663 of the existing units are at risk of being converted to market-rate housing by 2017 due to expiring affordability agreements.

In addition, a significant unmet need remains for special groups with limited incomes such as seniors, people with physical and cognitive disabilities, families, victims of domestic violence and the homeless.

EXTREMELY LOW-INCOME: households that earn 0% - 30% of the median family income

VERY LOW-INCOME: households that earn 30% - 50% of the median family income

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

AVAILABLE: a unit that is vacant and priced affordably, or one that is currently occupied by a household at or below the defined income threshold

LOW-INCOME: households that earn 80% or less of the median family income

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

AVAILABLE: a unit that is vacant and priced affordably, or one that is currently occupied by a household at or below the defined income threshold

EXTREMELY LOW-INCOME: households that earn 0% - 30% of the median household income

VERY LOW-INCOME: households that earn 30% - 50% of the median household income

Population growth over the next five years will be largely driven by low-income households

Washington State's above-average economic and job growth is forecasted to continue, resulting in continued population increases.¹ Most of that growth will be driven by low-income households.

Population growth is forecasted to increase as household income decreases

% of Median Family Income	2012	2019*	Change
0% - 30%	353,472	412,108	16.59%
30% - 50%	319,474	367,941	15.17%
50% - 80%	476,372	533,526	12.00%
80% - 100%	290,625	291,141	0.18%
>100%	1,180,052	1,141,730	-3.25%
Total	2,619,995	2,769,743	5.72%

*adjusted for inflation

The affordable housing gap is shrinking, but very slowly

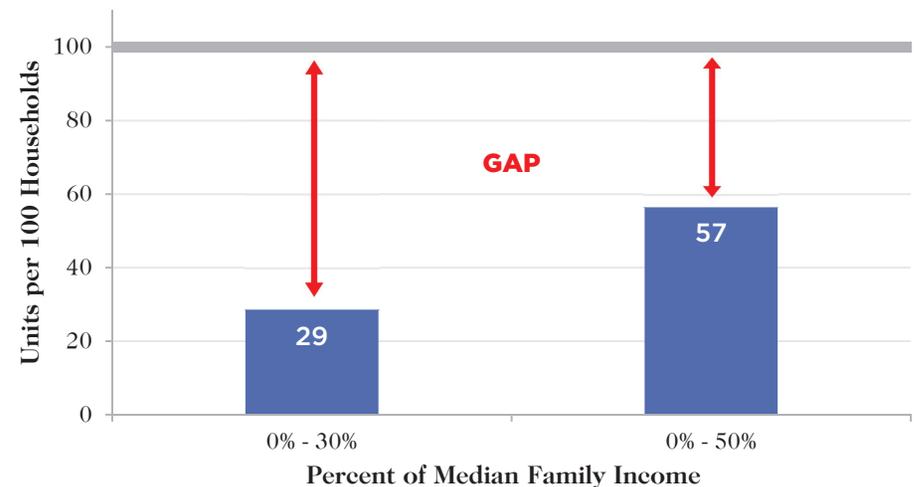
The number of housing units priced for low-income households is forecasted to grow at a similar but slightly faster rate than the number of low-income households.

If these forecasts are applied to the current affordable housing gap, Washington State will have a gap of 43 affordable and available housing units per 100 extremely low- and very low-income households in 2019.

This represents a slight decrease from the 2012 gap of 49 units per 100 households.

If the current *status quo* in Washington remains unchanged, it will take at least 30 years for the gap in affordable and available housing to close.

Only 29 affordable units will be available for every 100 extremely low-income households in 2019



1. The Nielsen Company, 2014.



Land Use & Environment Committee

Session Two - Encouraging Affordable Housing Production and Residential Construction

Agenda Date: 8/12/2019
Agenda Item Number: 3.B
File Number: 19-0717

Type: discussion **Version:** 1 **Status:** In Committee

Title

Session Two - Encouraging Affordable Housing Production and Residential Construction

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Discuss ways Olympia can support the production of workforce single family and multi-family housing for households at or above 80 percent of Area Median Income (AMI).

Report

Issue:

Whether to discuss ways the City of Olympia can incentivize construction and preservation of 'workforce' housing. For purposes of this discussion workforce housing means households at 80-120 percent of Area Median Income (AMI). Those households include younger wage earners, teachers, retail employees and many others who have been increasingly rent burdened. Nationally and in Olympia wages have not increased as rapidly as rents and home prices.

Staff Contact:

Cary Retlin, Home Fund Manager, Community Planning & Development, 360.570.3956
Leonard Bauer, Deputy Director, Community Planning & Development, 360.753.8206

Presenter(s):

Leonard Bauer, Deputy Director, Community Planning & Development

Background and Analysis:

The City of Olympia has adopted a variety of tools, incentives and programs designed to support a variety of housing production at a broad range of income levels. Height bonuses, Multifamily Tax Exemption and reduced Impact Fees are examples of multifamily housing incentives intended to benefit for workforce and market-rate residential construction.

Zillow reports that the median home value in Thurston County is currently \$323,800 and that Thurston County home values have gone up 7.5% over the past year. They predict home prices will

rise 3.5 percent in the next year. The median list price per square foot in Thurston County is \$185. The median listing in Thurston County is \$340,326 while the median price of homes sold is \$322,400. They report median rents in Thurston County at \$1,875 (the same as the Olympia-Tumwater Metro area's rents).

This discussion is intended to gather and hear from local and regional builders and others involved in housing development to answer questions that include:

- How can Olympia get more units for households at 80-120 percent AMI?
- How can Olympia best deploy limited resources to support those units?
- What have you used elsewhere? Are there other ways to do this work?
- How should resources be prioritized to get more units for these households?

Neighborhood/Community Interests (if known):

Housing costs are likely to continue to rise faster than wages in Olympia and Thurston County. New housing development is concerning to some residents.

Options:

Discussion may result in future direction to staff related to this topic.

Financial Impact:

N/A

Attachments:

None