

2022 Affordable housing update



Pursuant to [RCW 43.185B.040](#)

**AFFORDABLE HOUSING
ADVISORY BOARD**

May 2023

Report to the Legislature

Director Mike Fong

Acknowledgments

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Executive summary

The Affordable Housing Advisory Board (AHAB) is a 22-member board with 19 members appointed by the governor. [The Housing Policy Act](#) defines its role as to “address the state’s need for housing that is affordable to all economic segments and populations” and serves as the Department of Commerce’s (Commerce) principal advisory body on housing and housing-related issues.

This report constitutes the 2022 update required in subsection (2)(b) of [RCW 43.185B.040](#):

- (1) The department shall, in consultation with the affordable housing advisory board created in RCW [43.185B.020](#), prepare and from time to time amend a five-year housing advisory plan. The purpose of the plan is to document the need for affordable housing in the state and the extent to which that need is being met through public and private sector programs, to facilitate planning to meet the affordable housing needs of the state, and to enable the development of sound strategies and programs for affordable housing. The information in the five-year housing advisory plan must include:
- (a) An assessment of the state's housing market trends;
 - (b) An assessment of the housing needs for all economic segments of the state and special needs populations;
 - (c) An inventory of the supply and geographic distribution of affordable housing units made available through public and private sector programs;
 - (d) A status report on the degree of progress made by the public and private sector toward meeting the housing needs of the state;
 - (e) An identification of state and local regulatory barriers to affordable housing and proposed regulatory and administrative techniques designed to remove barriers to the development and placement of affordable housing; and
 - (f) Specific recommendations, policies, or proposals for meeting the affordable housing needs of the state.
- (2)(a) The five-year housing advisory plan required under subsection (1) of this section must be submitted to the legislature on or before February 1, 1994, and subsequent plans must be submitted every five years thereafter.
- (b) Each February 1st, beginning February 1, 1995, the department shall submit an annual progress report, to the legislature, detailing the extent to which the state's affordable housing needs were met during the preceding year and recommendations for meeting those needs.

Key findings

- According to the Center for Real Estate Research, housing starts increased between 2020 and 2021. The rental vacancy rate statewide continues to trend downward: At the end of 2021, it was 3.5%, 2.3% lower than the national average.¹
- Affordability is improving for median-income households in the homeownership and rental markets, but people with incomes below the median, which are 48% of Washington renter households, still experience a cost burden.
- The statewide affordable housing gap for households with very-low and extremely-low² incomes is 157,000 units.

Note to Reader:

Review the footnotes on each page for key insights, definitions, and links to reports.

¹ Washington Center for Real Estate Research, "WASHINGTON STATE APARTMENT MARKET REPORT - Fall 2021," <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2021/11/2021FallApartmentMarketReport.pdf>

² "Low-income" refers to households with incomes at 80% or less of the median income. Very-low income refers to households with incomes at 50% or less of the median income. "Extremely-low income" refers to households with incomes at 30% or less than the median income.

Summary of recommendations

Housing production is increasing, but low-income Washington renters still struggle to afford housing. Black, Native American, and Hispanic households are likelier to be low-income renters than white households. Black, Hispanic and Native Americans also have lower homeownership rates and are less able to build home equity than white people, primarily due to historical inequities and systemic racism in the housing market.³ Washington needs more housing of all types, more subsidized affordable housing for low-income individuals, and policies that directly address racial disparities in homelessness, housing affordability and homeownership.

Looking forward, AHAB recommends state action in three broad categories:

- 1. Assistance for renters financially impacted by the COVID-19 pandemic**
- 2. Increased investments in affordable housing and homelessness**
- 3. Focus on housing justice**

³ Brookings Institution, *Homeownership, Racial Segregation, and Policy Solutions to Racial Wealth Equity*, (Sept. 1, 2021), <https://www.brookings.edu/essay/homeownership-racial-segregation-and-policies-for-racial-wealth-equity/>

The current state of affordability

Washington's population grew steadily in 2021. Washington now tops 7,766,925 residents, with most growth concentrated in larger cities.⁴ Net migration accounted for 60% of the population growth despite a substantial slowdown due to the COVID-19 pandemic. Washington households continued to outpace the national average in personal income gains.⁵ Building permit activity rose 42.8% from 2020, totaling 14,854 new units, of which 4,979 were for single-family units. The median price of homes sold in Washington was \$572,700, 24.4% higher than at the end of 2020.⁶

The rental market continues to struggle with low vacancy rates. The statewide apartment vacancy rate fell from 4.2% in the fall of 2020 to 3.5% at the end of 2021. While there is variability among the individual county rates, nearly all counties outside the Puget Sound region had vacancy rates below 5%.⁷ While the average apartment in the most populated Washington cities tends to be affordable to median-income households,⁸ lower-income⁹ households experience a significant rent burden.¹⁰

Table 1: Median gross rents in select counties

County	Median gross rent
Benton	\$1,027
Chelan	\$936
Clark	\$1,328
Cowlitz	\$956
King	\$1,695
Kitsap	\$1,349
Kittitas	\$1,050
Pierce	\$1,338
Skagit	\$1,145

⁴ Washington State Office of Financial Management, *State Population Steadily Increases*, (June 30, 2021), <https://ofm.wa.gov/about/news/2021/06/state-population-steadily-increases-tops-77-million-residents-2021>

⁵ Washington State Office of Financial Management, *Washington and U.S. per capita income*, (Last updated: Wednesday, June 30, 2021), <https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/washington-and-us-capita-personal-income>

⁶ Washington Center for Real Estate Research, "Washington Market Highlights: Fourth Quarter 2021," (2021), <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2022/03/2021Q4MarketReport.pdf>

⁷ Washington Center for Real Estate Research, "WASHINGTON STATE APARTMENT MARKET REPORT - Fall 2021," <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2021/11/2021FallApartmentMarketReport.pdf>

⁸ "Median income" refers to the income level earned by a given household where half of the households in the geographic area of interest earn more and half earn less.

⁹ "Low income" refers to households with incomes of 80% or less of the area median income.

¹⁰ University of Washington, *Housing Data Toolkit*, <https://wcrer.be.uw.edu/housing-market-data-toolkit/>

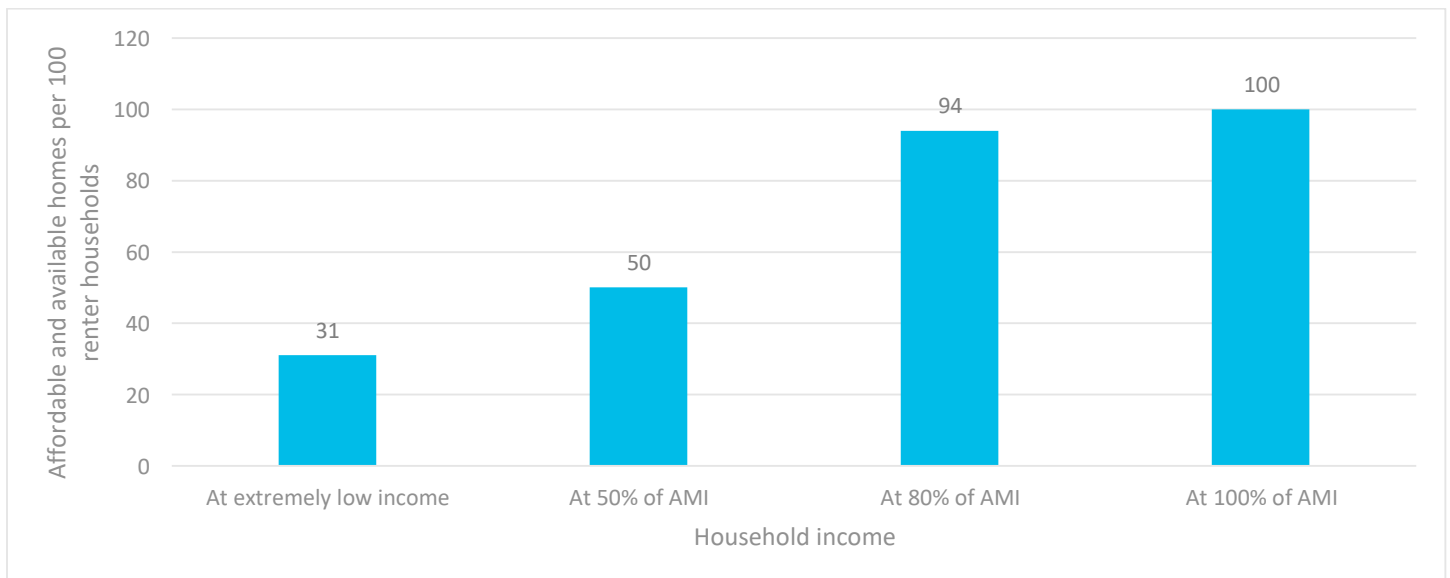
County	Median gross rent
Snohomish	\$1,515
Spokane	\$950
Thurston	\$1,275
Walla Walla	\$946
Whatcom	\$1,119
Whitman	\$842
Yakima	\$868

Source: United States Census Bureau, B25031: MEDIAN GROSS RENT BY BEDROOMS - Census Bureau Table, <https://data.census.gov/cedsci/table?t=Housing%3ARenter%20Costs&g=0400000US53%240500000&tid=ACSDT5Y2020.B25031>

The above trends suggest the market continues to respond to consumer demand with more inventory but is not delivering affordability for households below the median income. In communities throughout the state, very low-income (50% Area Median Income (AMI) to 31% AMI) and extremely low-income (30% AMI and below) households rely on the availability of housing that is subsidized through government funding or incentives. There is not enough of that housing to go around.

Figure 1 details the affordable housing gap for very low and extremely low-income Washington households, including a statewide deficit of over 157,000 affordable and available rental homes (not already occupied) to extremely low-income renters.

Figure 1: Affordable and available homes per 100 renter households



Source: National Low Income Housing Coalition, *Housing Needs by State/Washington*, <https://nlihc.org/housing-needs-by-state/washington>

Assistance for households impacted by COVID-19

Rental assistance

Commerce has been contracting with counties to administer COVID-19 emergency rent assistance since the summer of 2020. Counties work with local service providers to process applications, manage documentation and reporting, and issue financial assistance payments. The three temporary rent assistance programs currently operating are the Treasury Rent Assistance Programs 1.0 and 2.0 (T-RAP 1.0 and T-RAP 2.0) and the Eviction Rent Assistance Program 2.0 (ERAP 2.0).

These programs are part of Washington's response to the COVID-19 pandemic. The funds are intended to prevent evictions, which would contribute to the spread of the virus. They are used to pay past due, current due and future rent and utilities for households that have experienced financial hardship due to COVID-19 and are at risk of experiencing homelessness or housing instability. The chart below details statewide spending to date. All COVID-19 emergency rent assistance funding will end by June 2023.

Key metrics for Commerce-funded COVID-19 emergency rent assistance March 2021 - March 2022:¹¹

- Total amount distributed: \$ 430,000,000
- Average funds distributed per household: \$6,517
- Total households served: 65,982
- Months of rent distributed: 828,643
- Months of utilities distributed: 54,116

Many households have not received assistance despite the infusion of federal and state funds for eviction rental assistance. While the pace of emergency rental aid going to tenants has increased since January 2020, some renters are still not getting assistance. The latest PULSE survey data shows about 20,000 Washington households are behind on rent and have applied for rent assistance but are still waiting for an intake appointment or eligibility determination.¹² In many cases, Washington's local governments and community-based organizations struggle to meet the administrative and staffing needs associated with managing increased funding. The remaining emergency rental assistance funds must be distributed quickly, including support for missed utility payments. It is also important for the state to learn from the barriers faced by local governments and community-based organizations and plan appropriately for future responses to economic crises.

Homeownership assistance

Washington has also received an allocation from the American Rescue Plan Act (ARPA) of \$173 Million to assist homeowners who fell behind in mortgage, utilities and other homeownership-related payments due to pandemic-driven hardship. Commerce is partnering with the Housing Finance Commission to utilize our current network and systems established in 2011 through the creation of the Foreclosure Fairness Act, which provides counseling, mediation, and legal aid services to homeowners in or at risk of foreclosure. The Commission is taking the lead in administering the ARPA Homeowner Assistance Fund program, which will

¹¹ Washington State Department of Commerce, *Washington State Department of Commerce Emergency Rental Relief Distribution*, <https://insight-editor.livestories.com/s/v2/washington-state-department-of-commerce-emergency-rental-relief-distribution/ce5d59f3-36fe-4633-8768-759eca2ea077>

¹² United States Census Bureau, *Week 43 Household PULSE Survey Data*, (March 23, 2022), <https://www.census.gov/data/tables/2022/demo/hhp/hhp43.html>

complement the Foreclosure Fairness Program and provide direct financial assistance to eligible homeowners to avoid foreclosure and displacement whenever possible.

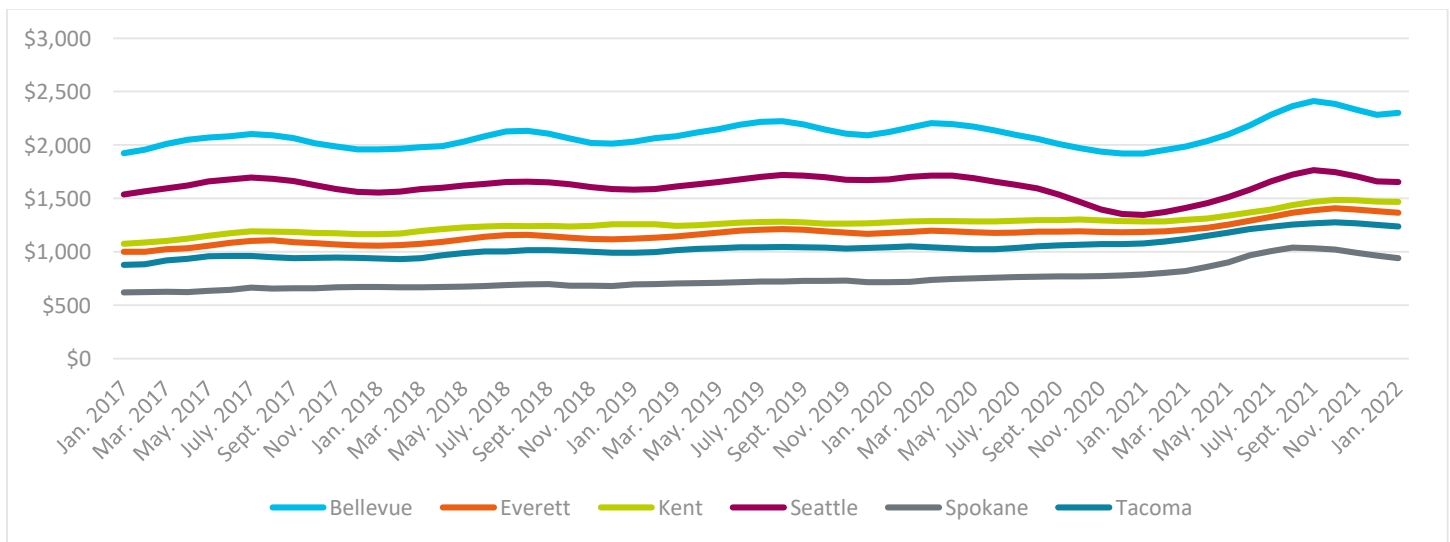
Growing need for low-income housing

Affordable housing is defined as housing costs as a percentage of household income. Housing is considered unaffordable when a household’s monthly housing costs exceed a certain threshold – most commonly 30% for renters and 38% for homeowners of gross income –reducing the budget available for other necessities. When a household pays more than 30% of its income on rent or 38% on mortgage payments, it is considered rent-burdened. For lower-income households, the rent burden often means choosing between paying for housing or other necessities like food or medications.

Although incomes in Washington are growing faster than the national average, they are not keeping pace with increasing rents and home prices. Fixed incomes, such as retirement or disability income, have grown well below the rate of rent inflation. Because households with lower incomes tend to be renters, these trends have created a significant gap between renters' wages and the cost of housing. According to the National Low-Income Housing Coalition's 2021 Out of Reach report, it cost twice the 2021 state minimum wage of \$13.69 per hour, or \$56,950 per year, to affordably rent a two-bedroom unit in Washington in 2021, including utilities.¹³

Median rents increased dramatically statewide in 2021. In Seattle, the median rent increased by 23% to \$1,653. This trend was not only felt in Seattle. In many suburban areas and smaller cities, rents soared in 2020 and 2021, making for sharp increases over the last five years. In Lacey, for example, the median rent in 2021 for a one-bedroom apartment increased 34% from 2019 and 57% from January 2017. The median rent for a one-bedroom in Spokane increased 35% from 2019 and 52% from 2017. In Tacoma, median rent increased by 25% from 2019 and 41% from 2017.¹⁴

Figure 2: Rent increases across Washington



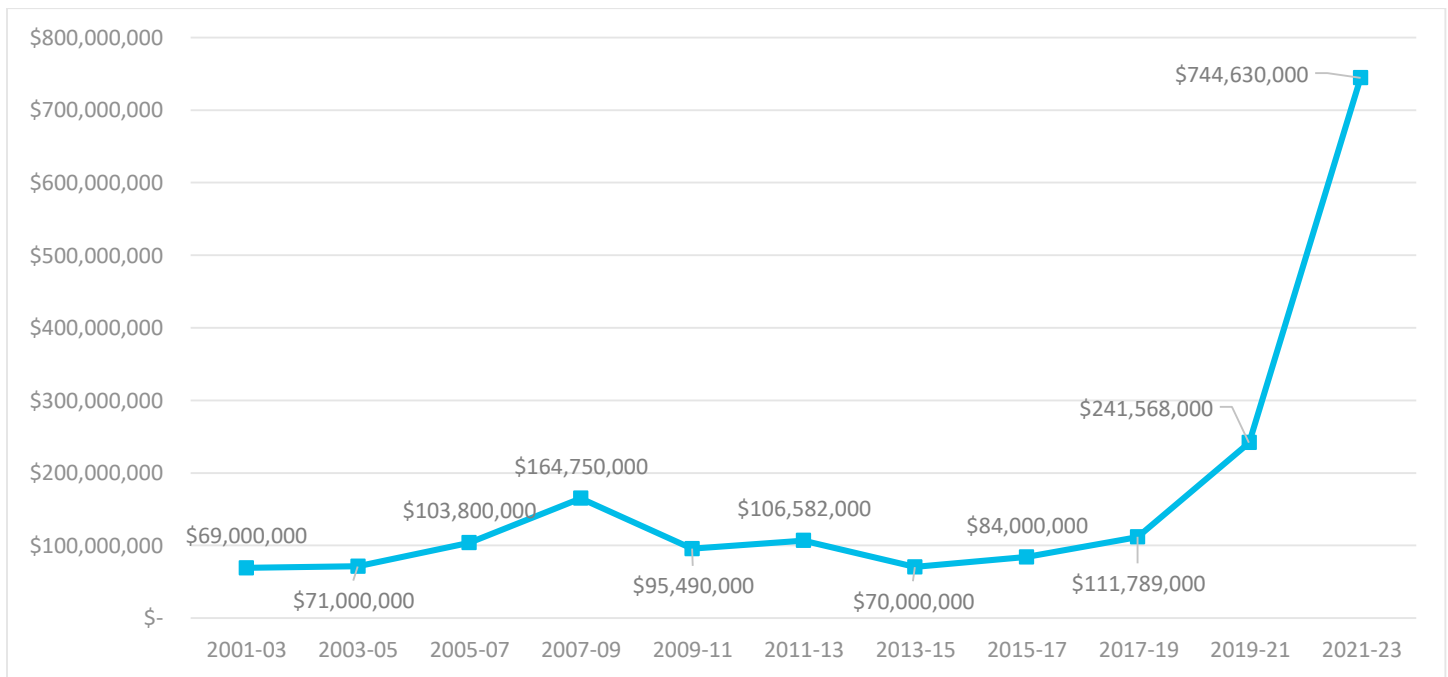
Source: Heidi Groover, "WA tenants could get 6 months' notice of big rent hikes," (Feb. 15, 2022), <https://www.seattletimes.com/business/real-estate/wa-tenants-could-get-6-months-notice-of-big-rent-hikes/>

¹³ National Low Income Housing Coalition, *Out of Reach 2021: Washington*, (2021), <https://reports.nlihc.org/oor/washington>

¹⁴ Heidi Groover, "WA tenants could get 6 months' notice of big rent hikes," (Feb. 15, 2022), <https://www.seattletimes.com/business/real-estate/wa-tenants-could-get-6-months-notice-of-big-rent-hikes/>

Commerce provides tools, capital and operating funds to local governments, nonprofits, Tribes, housing authorities and community action agencies to provide housing to low-income members of their communities. Commerce administers the Housing Trust Fund (HTF), the state’s most important investment to ensure everyone can live in a safe, decent, affordable home. Since 1986, the state has invested over \$1.7 billion to provide 60,000 affordable homes to households with incomes up to 80% AMI. These investments include \$161 million in federal funding sources (National Housing Trust Fund and HOME Investment Partnerships). In 2021, Housing Trust Fund capital funding was awarded to organizations to build more than 3,800 low-income housing units throughout the state, over 1,900 of which will be dedicated to homeless housing.

Figure 3: HTF allocations by biennium, 2001-03 through 2021-23



Source: Washington State Department of Commerce

While these investments are significant, they are insufficient to meet the growing need for affordable housing statewide. Especially now that the COVID-19 epidemic has highlighted racial disparities in cost burden and housing instability across the state, it is time to substantially increase Washington’s commitment to affordable housing.

Special needs populations

Farm worker housing needs

Across the state, farmworkers struggle to access and afford housing that suits the unique needs of their work. Commerce developed a report to help the legislature understand and address the challenges of providing decent and affordable housing for farmworkers in Washington.¹⁵ As of 2021, there are 102,304 farmworkers in Washington and only 33,016 units of publicly funded farmworker accommodations meaning there is a large unmet gap in farmworker housing. Statewide, an estimated 48,500 farmworkers must seek permanent housing

¹⁵ Washington State Department of Commerce, “Washington Farmworker Housing Needs Assessment,” (January 2022), https://www.commerce.wa.gov/wp-content/uploads/2022/04/CommerceReports_CSHD_FarmworkerHousing_Final_4.26.22.pdf

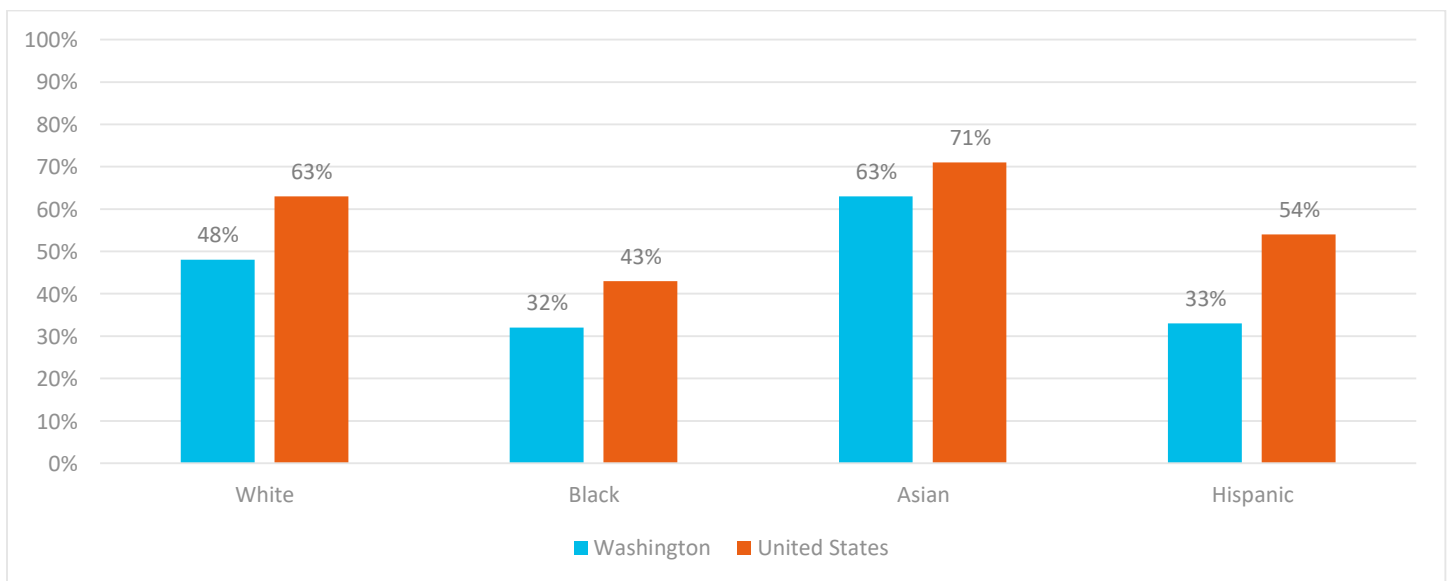
in the private market, and up to 21,000 migrant farmworkers must secure temporary beds in the private market. The largest gaps between available farmworker housing units and need are in Chelan and Yakima counties.

Additionally, farmworkers face disadvantages in the private market, including limited or no English proficiency, unfamiliarity with local housing customs, and inability to make upfront payments, such as deposits. These dynamics can force farmworkers to live in overcrowded or substandard rental housing. Farmworkers, employers and community organizations alike highlighted the need for improved farmworker housing access and affordability. The report produced several recommendations for funding, housing development, and program creation to improve farmworker access and affordability.

Housing justice

According to a 2021 report published by Lt. Gov. Heck's office, Washington is experiencing dual housing crises: one of housing unaffordability, disproportionately affecting Black, Indigenous and other people of color (BIPOC), and one of systemically inequitable access to housing for BIPOC households. The overrepresentation of BIPOC households among low-income renters means that households of color are more likely to struggle to afford rent and face housing instability, eviction, and homelessness, and Black homeownership amongst all ethnicities is at least 10% lower than other racial groups.

Figure 4: Percent of households by race that can afford to buy the typical home in 2021, Washington vs. the United States



Source: National Association of Realtors, "2021 Snapshot of Race and Home Buying in America," (February 2021), <https://cdn.nar.realtor/sites/default/files/documents/2021-snapshot-of-race-and-home-buyers-in-america-report-02-19-2021.pdf>

BIPOC homeownership

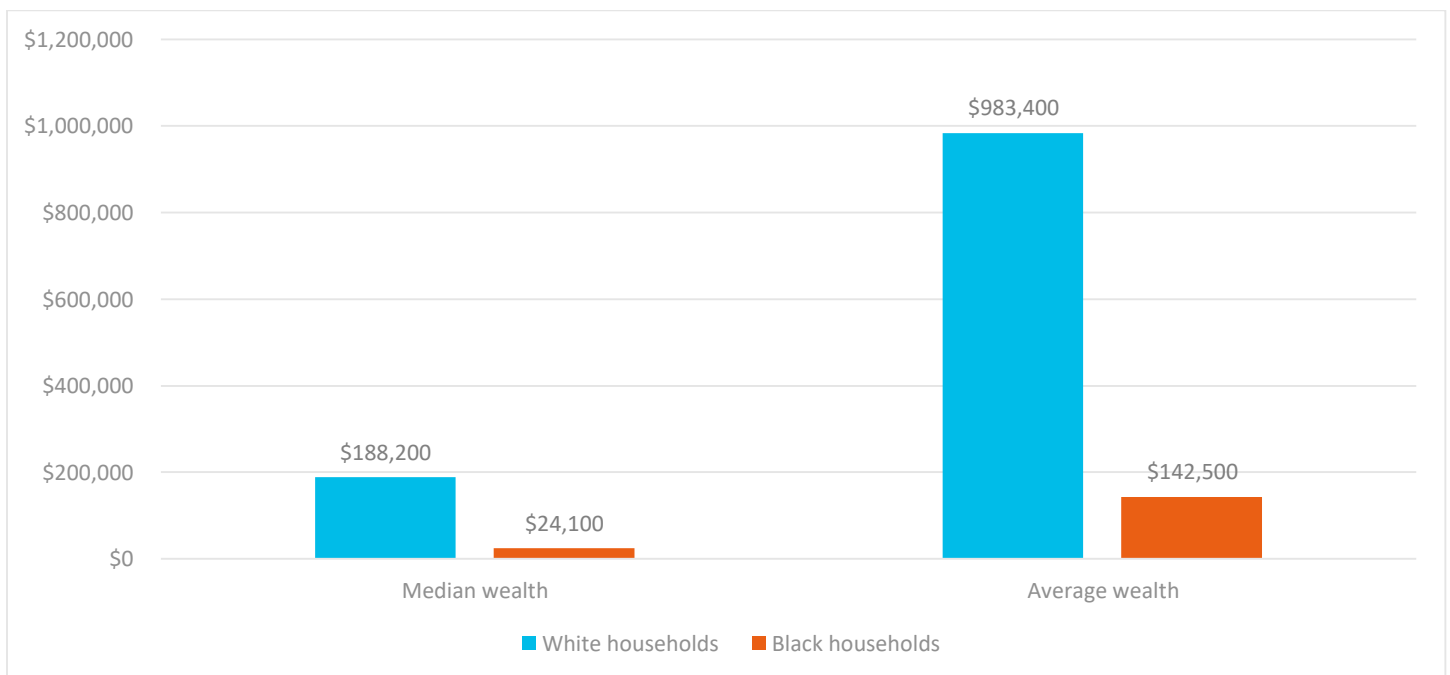
Homeownership is the primary means of intergenerational wealth accumulation in the United States.¹⁶ It improves individuals' economic mobility, education and health outcomes. In Washington and nationally,

¹⁶ National Association of Real Estate Brokers, *Homeownership Remains Primary Driver of Household Wealth*, (Feb. 18, 2021), <https://www.nahb.org/blog/2021/02/homeownership-remains-primary-driver-of-household-wealth/>

homeownership rates among households of color are significantly lower than in white households.¹⁷ However, Black households have the lowest homeownership rates, so that path to wealth building and well-being is particularly fragmented. In 2019, the net worth of a typical white family in the U.S. (\$188,000) was nearly eight times greater than that of a Black family (\$24,100).¹⁸ The disparities are due to decades of racial discrimination in real estate, lending practices, federal housing policy and lending and credit scoring practices.¹⁹

The nation’s recovery from the Great Recession exacerbated racial disparities. By 2019, homeownership rates for Black and Hispanic households across the country remained considerably below their 2006 levels and roughly 50% lower than those for white households.²⁰ Washington must invest in an equitable COVID-19 recovery by making long-needed investments in housing justice to ensure this does not happen again.

Figure 5: U.S. median and average wealth gaps, white and Black households



Source: Brookings Institution, *The Black-white wealth gap left Black households more vulnerable*, (Dec. 8, 2020), <https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable/>

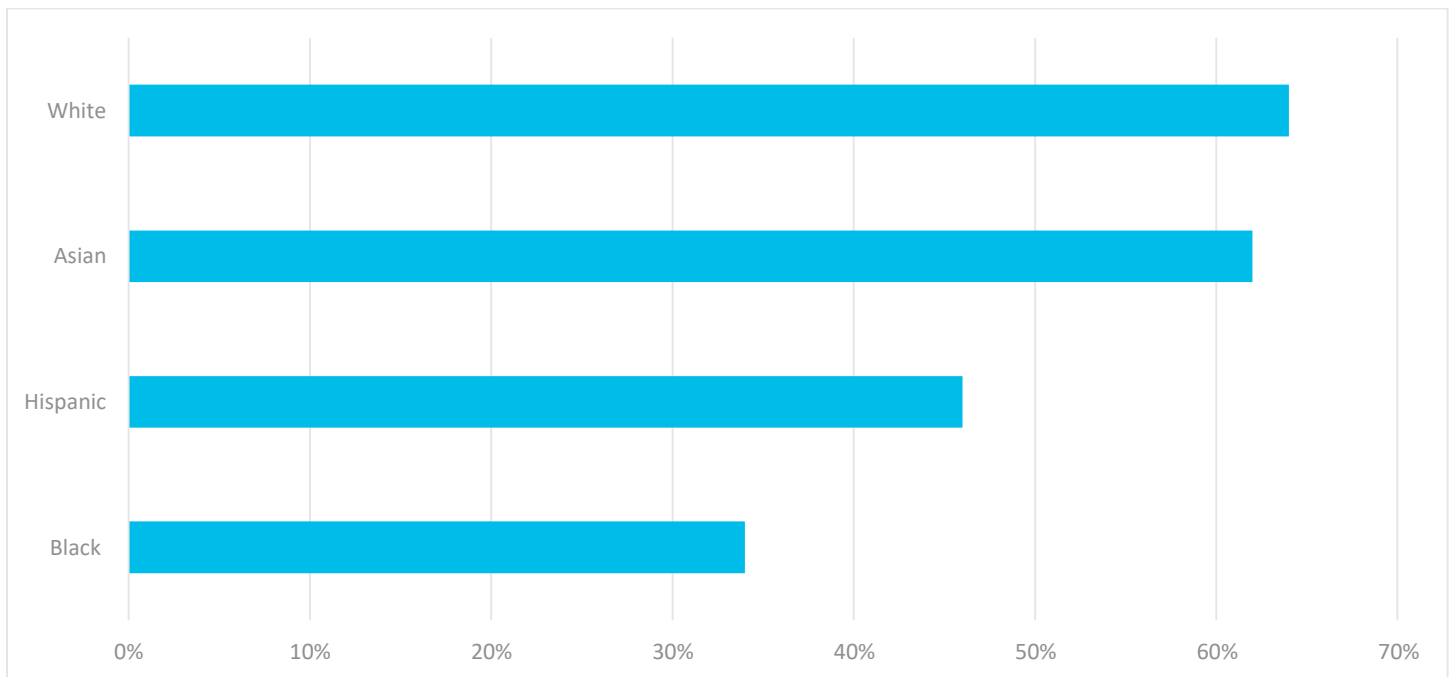
¹⁷ National Association of Realtors Research Group, "Snapshot of Race and Home Buying in America," (February 2022), <https://cdn.nar.realtor/sites/default/files/documents/2022-snapshot-of-race-and-home-buying-in-the-us-03-03-2022.pdf>

¹⁸ Brookings Institution, *The Black-white wealth gap left Black households more vulnerable*, (Dec. 8, 2020), <https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable/>

¹⁹ Urban Institute, *Closing the Homeownership Gap will Require Rooting Systemic Racism Out of Mortgage Underwriting*, (Oct. 13, 2021), <https://www.urban.org/urban-wire/closing-homeownership-gap-will-require-rooting-systemic-racism-out-mortgage-underwriting>

²⁰ Brookings Institution, *Rebuild Better a Framework to Support an Equitable Recovery from COVID 19*, (July 23, 2020), <https://www.brookings.edu/research/rebuild-better-a-framework-to-support-an-equitable-recovery-from-covid-19/>

Figure 6: Racial disparities in Washington homeownership



Source: National Association of Realtors Research Group, "Snapshot of Race and Home Buying in America," (February 2022), <https://cdn.nar.realtor/sites/default/files/documents/2022-snapshot-of-race-and-home-buying-in-the-us-03-03-2022.pdf>

American Indians, Alaska Natives and Native Hawaiians Housing Needs

American Indians, Alaska Natives and Native Hawaiian face unique challenges related to housing in Washington. The unique histories, cultures and circumstances of Native peoples and the specific issues that have led to poor housing conditions, housing shortages and stunted housing markets within Native communities' tribal lands are often overlooked.

In 2021, Commerce conducted the first-ever Native housing needs assessment focusing specifically on the Native communities within Washington. American Indians, Alaska Natives, and Native Hawaiians in Washington expend disproportionately high percentages of their income on housing, are more likely to live in substandard housing, and are more likely to experience homelessness than the average household in Washington. Urban Native housing providers face high development costs, few dedicated funding streams, and lack the ability to target limited resources to their own community by applying Native or Indian preference. Alaska Natives and Native Hawaiians do not have programs in Washington that uniquely address their housing needs, and substantial data gaps exist that limit efforts to characterize or quantify their needs properly. While many barriers to addressing housing needs exist, this report also presented opportunities and recommendations for assisting these communities in addressing their housing needs.

An inequitable homeownership market is also bad for the economy. According to a recent analysis by Morgan Stanley, housing inequality is exacting an economic price that has cost nearly 800,000 jobs and \$400 billion in tax revenue and prevented about five million people from owning homes nationally.²¹

²¹ CNBC, "Morgan Stanley says Housing Discrimination has Taken a Huge Toll on the Economy," (Nov. 13, 2020), <https://www.cnbc.com/2020/11/13/morgan-stanley-says-housing-discrimination-has-taken-a-huge-toll-on-the-economy.html#:~:text=Morgan%20Stanley%20says%20racial%20inequality,five%20million%20from%20owning%20homes>

Homeownership experts and policymakers in Washington are working together to address the racial wealth and homeownership gap. The Housing Development Consortium of Seattle King County worked with community members, advocates and other stakeholders to launch a Black Homeownership Initiative and strategic plan in 2021 for increasing Black homeownership in the Puget Sound area. The resulting program includes seven focus areas with recommendations for doubling the Black homeownership rate in the next two decades.²²

The Legislature tasked Commerce in a 2021-2023 operating budget proviso with convening a diverse homeownership-focused workgroup to “assess perspectives on housing and lending laws, policies, and practices; facilitate discussion among interested parties; and develop budgetary, administrative policy, and legislative recommendations.”²³ The recommendations developed by that group will be submitted to the Legislature in the spring of 2023.

²² Housing Development Consortium of Seattle and King County, "Black Homeownership Initiative Seven Point Plan," (2021), <https://www.housingconsortium.org/wp-content/uploads/2022/02/Black-Homeownership-compiled-7-point-plan-2-7-22.pdf>

²³ Department of Commerce, "Homeownership Disparities Work Group," <https://www.commerce.wa.gov/building-infrastructure/housing/homeownership-disparities-workgroup/>

Conclusion

Affordable homes provide a foundation for positive health outcomes for families, correlate with better cognitive development and academic achievement for children, and lower public expenditures on other services like healthcare.²⁴ Affordable homes in high-opportunity neighborhoods with good schools can have long-term impacts on future generations' earnings and economic mobility.²⁵ A sustained commitment to racial justice and housing affordability programs for low-income renters and homebuyers will deliver profound benefits to families and communities statewide. The Affordable Housing Advisory Board looks forward to working with the Legislature on the abovementioned issues throughout 2022 and 2023.

²⁴ Center for Housing Policy, "The Impacts of Affordable Housing on Health: A Research Summary," (2015), <https://nhc.org/wp-content/uploads/2017/03/The-Impacts-of-Affordable-Housing-on-Health-A-Research-Summary.pdf>

²⁵ Opportunity Insights, *The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment*, (2016), <https://opportunityinsights.org/paper/newmto/>

Appendix A: 2021 AHAB members

Table 2: AHAB members in 2021 and the constituencies they represent

Name	Title
Paul Trautman	Chair
Susan Boyd	Apartment Management
Michael Dotson	Home Mortgage Lending
Norma Hernandez	Association of Washington Cities (Eastern Washington)
Mary Hudson	Association of Washington Cities (Western Washington)
Doug Ito	Residential Construction
Lowel Krueger	Housing Authorities
Ladon Linde	Washington Association of Counties (Eastern Washington)
Tanya Mercier	Consumer of Low-Income Housing
Vijya Patel	Real Estate Sales
Melodie Pazolt	Special Needs Populations
Michone Preston	General Public
Cindy Proctor	Nonprofit Housing Developer
Vacant	Homeless Shelter Operator
Vacant	Home Mortgage Lending
Vacant	For-Profit Housing Owner
Vacant	For-Profit Housing Developer
Diane Klontz	Ex-Officio, Department of Commerce
David Stillman	Ex-Officio, Department of Social and Health Services
Steve Walker	Ex-Officio, Washington State Housing Finance Commission