



WASHINGTON STATE  
HOUSING FINANCE  
COMMISSION



Washington State  
Department of  
**Commerce**



# Stabilizing rents for tenants in state-funded affordable housing

Final report authorized by the 2023-2025 operating budget sections 129 (70) and 194.

December 1, 2024

Report to the Legislature

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Commission Executive Director Steve Walker

WASHINGTON STATE HOUSING TRUST FUND  
AND  
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# Executive summary

## Statutory authority

During the 2023 legislative session, the Washington State Legislature included provisos in the 2023-2025 operating budget for both the Washington State Housing Finance Commission (the Commission) and the Department of Commerce (Commerce) to report on rent stabilization efforts for affordable housing units financed by these agencies.

### **The Legislature directed Commerce to do the following:**

NEW SECTION 129 (70) Within existing resources, the department must submit an interim and a final report to the appropriate committees of the legislature on efforts taken by the department to stabilize rents for tenants of affordable housing units financed through the housing assistance program created under RCW 43.185.015 including, but not limited to, efforts to limit or mitigate the impacts of rent increases for tenants of qualifying units. The department must submit the interim report by December 1, 2023, and the final report by December 1, 2024.

### **The Legislature directed the Commission to do the following:**

NEW SECTION 914. (1) The Washington State Housing Finance Commission must submit an interim and a final report to the appropriate committees of the legislature on efforts taken by the commission to stabilize rents for tenants of affordable housing units financed through federal low-income housing tax credits allocated by the commission, and other housing finance programs administered by the commission as applicable. Rent stabilization efforts may include, but are not limited to, limiting or mitigating the impacts of rent increases for tenants of qualifying units. The commission must submit the interim report by December 1, 2023, and the final report by December 1, 2024.

(2) This section expires June 30, 2025.

## Overview

### Interim report

In December 2023, the Commission and Commerce released a joint [interim report](#). The report highlighted the efforts to date, the challenges faced by property owners and residents, and opportunities for further investigation to mitigate rent burden<sup>1</sup> in state-funded affordable housing. Following the completion of the interim report, Commerce and the Commission developed a list of potential strategies to mitigate rent burden faced by residents in state-funded affordable housing.

### Final report

This is the final report required by the provisos and includes the potential strategies developed after the interim report, updates on efforts to date, expanded background and context and a more extensive portfolio analysis. Commerce and the Commission collaborated to develop this report, which included contracting with the Athena Group to support data collection and drafting of the portions of the report.

### Next steps: Ongoing community engagement

This report also includes an outline of the voluntary community engagement Commerce and the Commission, in partnership with contractor the Athena Group, are undertaking with interested parties across Washington, including residents of affordable housing, resident advocacy groups, property owners and managers, housing

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<sup>1</sup> Rent burden is commonly defined as households spending more than 30% of their income on housing costs. [Rental Burdens: Rethinking Affordability Measures](#). U.S. Department of Housing and Urban Development's Office of Policy Development and Research.

authorities, and public funders. The goals are to gain insight into the effects of current policies, assess the significance of proposed strategies and to identify new strategies that could help stabilize rents and/or minimize the effects of rent increases on affordable housing residents. The results of this engagement work will be made publicly available.

## Key findings:

- **43% of Commerce's Housing Trust Fund (HTF)-funded units are occupied by households with no rental assistance**
  - Of those households with no rental assistance in HTF-funded units, 43% experienced rent burden in 2023
  - Among HTF-funded properties, residents in rural and frontier counties<sup>2</sup> were more likely to experience rent burden in 2023, compared to those in urban counties
- **56% of Commission-funded units are occupied by households with no rental assistance**
  - Of those households with no rental assistance in Commission-funded properties, 65% experienced rent burden in 2023

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<sup>2</sup> RCW 43.330.010(6): "Frontier county" means a county with a population density of fewer than 50 persons per square mile as determined by the Office of Financial Management.

# Introduction

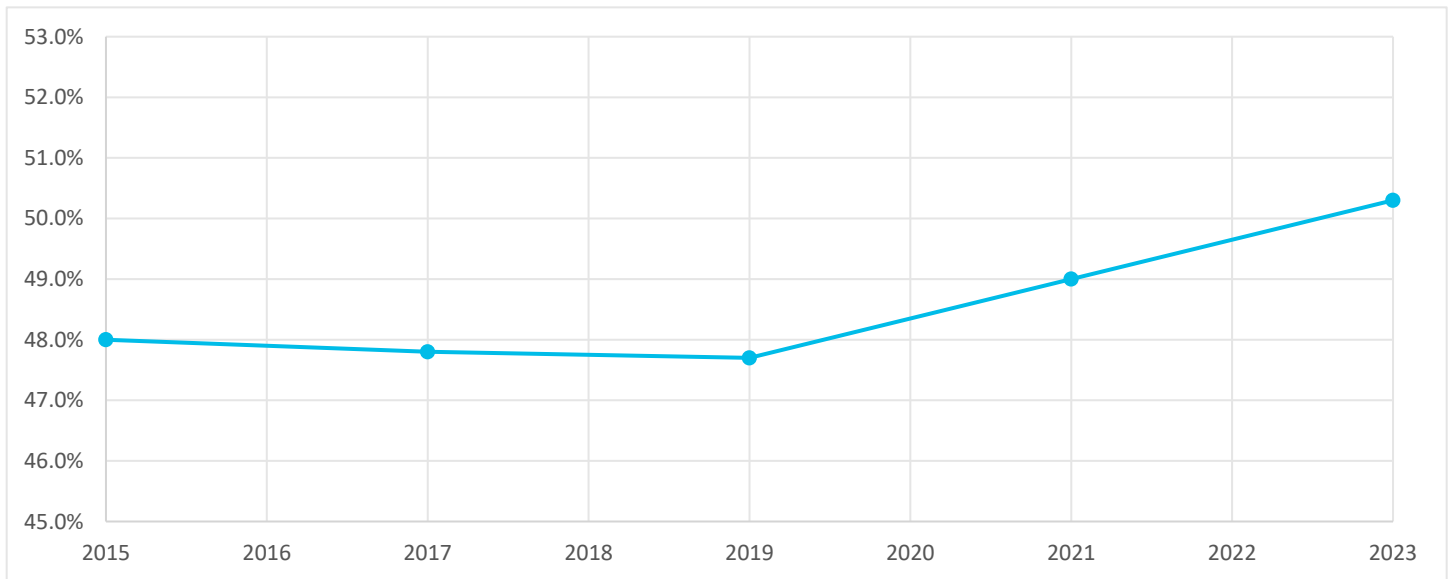
## Background

In 2023, Commerce and the Commission collaborated on the required interim report. The interim report included efforts to date to stabilize rents for tenants of state-funded affordable housing. In summary, the report identified some potential mitigations for the rent burden experienced by affordable housing residents and determined that more research and community engagement were necessary to determine a path forward.

## Affordability in Washington

Housing in Washington has become increasingly unaffordable for residents. Over the last five years, the percentage of renters paying more than 30% of their income towards rent (considered rent-burdened) increased by 2.6% (see Figure 1). On top of this, Washington now faces a significant housing shortfall across the income spectrum, especially in units available and affordable for households earning between 0% and 50% of the Area Median Income (AMI).

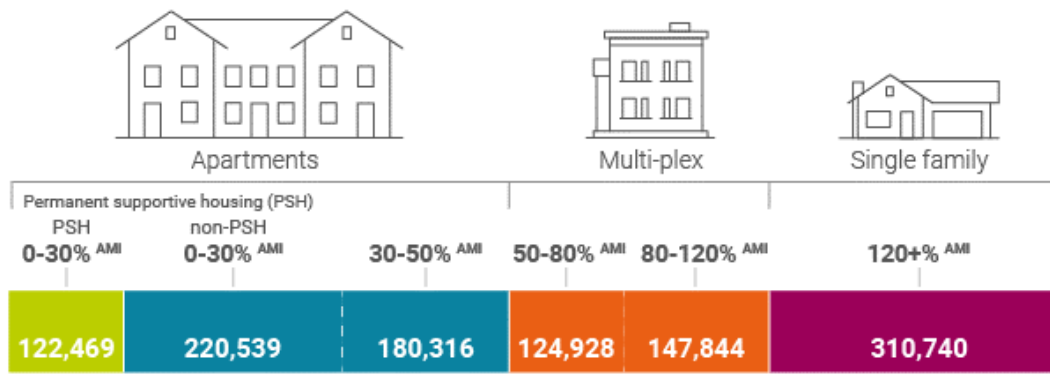
**Figure 1: Percent of all Washington renters experiencing rent burden 2015-2023**



Source: U.S. Census Bureau American Community Survey

In 2023, Commerce estimated the state needs approximately 1.1 million new homes built in the next 20 years to meet future housing needs of Washingtonians. Of that amount, over 400,000 must be affordable for 0-50% AMI households, and 122,000 must be permanent supportive housing (see Figure 2).

**Figure 2: Future housing needs broken down by AMI groups**



**1.1 Million** new homes will be needed in the next 20 years

In addition, there will also need to be:

**91,357** Emergency housing beds (temporary housing)

Source: [Washington State Department of Commerce](#)

Geographic disparities in rent burden exist for 16 counties with rent-burden rates near or above 50%. While there are disproportionate rates of rent burden severity in certain counties, every county, but one (rural Lincoln), has more than 10% of renter-occupied units severely rent burdened -- defined as paying at least half of one's income towards rent. A majority of counties have rates close to or exceeding 20% (see Figure 3). It is estimated that 227,866 households across the state are severely rent burdened.

Rent prices that increase to the point of creating rent burden or resident displacement are effectively a "supply-demand mismatch," meaning there are not enough affordable rental units to meet the demand in the local area. Understanding the different types of rent burden that exists in local markets help explain differences in affordability and need. There are high earners who can choose to pay more than 30% of their income on rent in order to access certain amenities or lifestyles,<sup>3</sup> while moderate earners can become geographically burdened when their local housing market becomes more expensive. In an unstable housing market, low-income households are unlikely to find affordable rental options anywhere without assistance.<sup>4</sup>

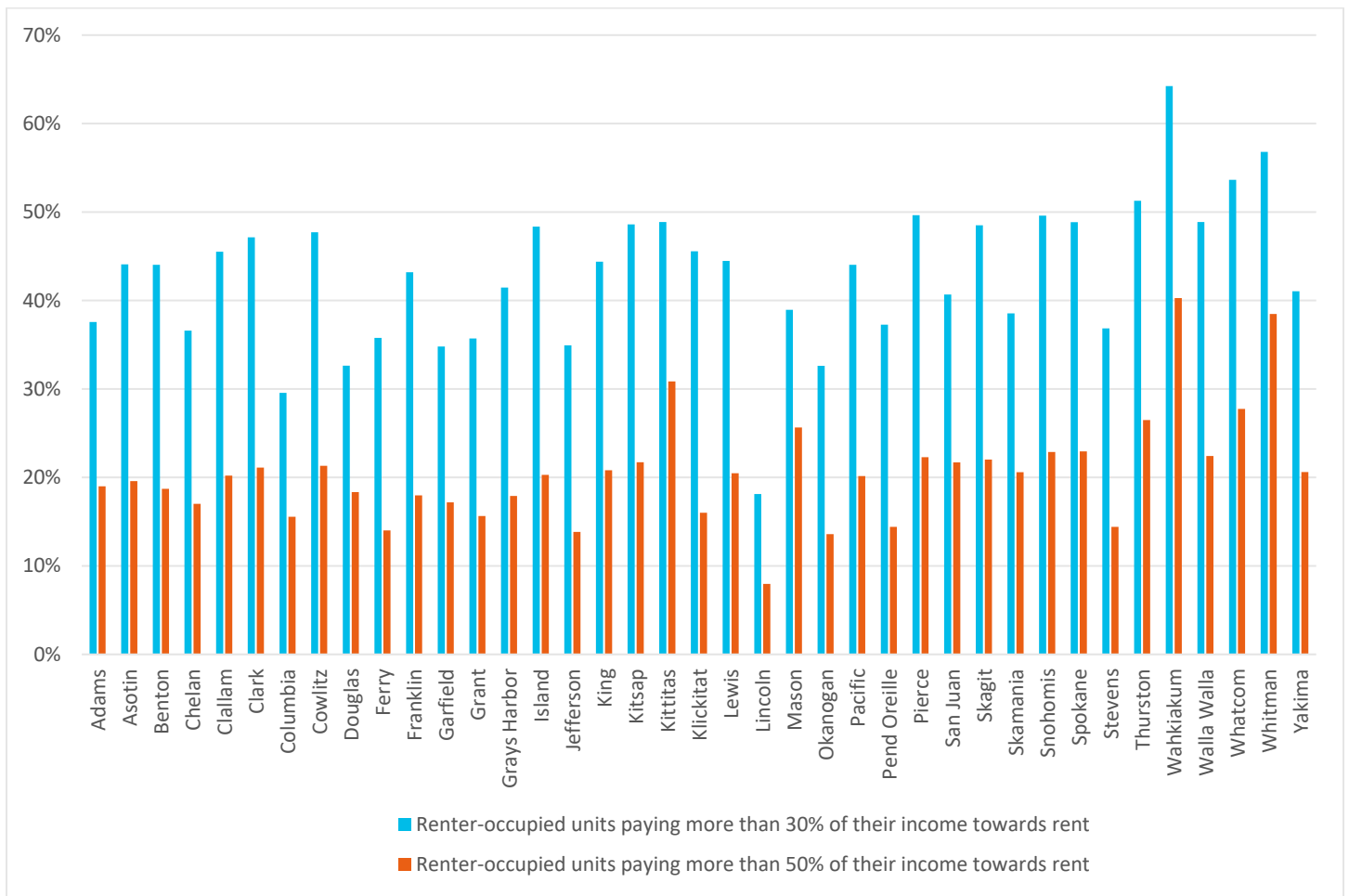
Affordable housing can occur naturally when new housing supply ages to the point that the price of rent decreases, due to lowering quality or demand. However, limited housing supplies and other factors put upward pressures on housing prices, even for older housing with lower quality. The backdrop of the current national housing crisis includes the national housing shortage following the 2008 financial crisis,<sup>5</sup> high rates of inflation during and following the Covid-19 pandemic restrictions, and inadequate growth in renter wages.

<sup>3</sup> Unprecedented demand from high-income households in Seattle have caused rents to rise rapidly for existing rental housing. Cities facing similar challenges include Washington, DC; Boston, MA; San Francisco, CA; San Jose, CA. [Case Studies: Seattle](#). National Multifamily Housing Council. [The Housing Affordability Toolkit](#).

<sup>4</sup> Bruen, C. [A Closer Look at Cost-Burdened Renters](#). National Multifamily Housing Council Research Notes. June 28, 2022.

<sup>5</sup> Dougherty, C. ["What Kalamazoo \(Yes, Kalamazoo\) Reveals About the Nation's Housing Crisis."](#) *New York Times*. Aug. 2024.

**Figure 3: Rates of cost burden and severe cost burden by county in Washington**



Source: PolicyMap, 2022 ACS county-level 5-year estimates

### Affordability in designated affordable units

A mix of federal, state, and local subsidies are typically needed to fund rental properties that offer affordable units that are not otherwise provided by the market. These units follow specific income limits and eligibility rules designed to make housing accessible to low-income households.

As of 2023, there were 155,214 affordable housing units designated for low-to-moderate-income households across Washington.<sup>6</sup> Affordable housing units are both income-restricted (how much a household's income may be to qualify for a unit) and rent-restricted (how much rent may be charged). Though these units have reduced the burden for many households, their tenants are not immune to the struggle of rent burden.

Affordable units do not guarantee rent will remain manageable for all eligible tenants. This is because rent prices and increases are tied to income limits set by regulatory frameworks, which may not match with the actual incomes of all households. As a result, even though a unit may be labelled “affordable,” it can still become a financial burden for some low-income families.

<sup>6</sup> [AHAB Housing Advisory Plan 2023-2028 Final.pdf | Powered by Box](#)

Additionally, the US Department of Housing and Urban Development (HUD) sets AMI limits, accounting for a percentage of inflation each year based on a national cap. When the rate of inflation is higher than the rate of income growth in an area, the AMI calculation will be higher than the actual area median income<sup>7</sup> and may require policy interventions to address housing cost, access or equity concerns. HUD changed its national cap calculation in 2022 and 2023 to limit rent increases to no more than 6% for any given area.<sup>8</sup> In 2024, the cap percentage increased to 10%.

Affordable housing providers cannot charge more than 30% of the maximum allowable income for a rent-restricted unit based on contractually restricted AMI levels. Because providers must charge enough to pay for operations, maintenance and debt-service, this often results in tenants who earn less than the maximum allowable income paying more than 30% of their income towards rent. This report will provide more detail on this challenge in the later section titled "Affordable housing portfolio analysis."

## The Washington State Department of Commerce

The Washington State Department of Commerce (Commerce) administers various Affordable Housing Programs authorized in [Chapter 43.185A RCW](#), which are primarily known as the Housing Trust Fund (HTF), the federal HOME and National Housing Trust Fund programs. These programs provide grants and low-interest loans to nonprofits, housing authorities and federally recognized tribes for the development or preservation of low-income affordable housing.

As of 2024, Commerce administered funding and support to 1,356 projects with 41,946 units. The vast majority of these units were rent-restricted, with a small minority of units being market-rate.

## The Washington State Housing Finance Commission

The Washington State Housing Finance Commission (the Commission) administers the federal Low-Income Housing Tax Credit (LIHTC) program, which finances the construction and preservation of affordable multifamily housing units through federal tax incentives. The Commission awards housing credits in the higher-subsidy 9% Program through an annual competitive process in which it evaluates and scores projects according to established criteria. The lower-subsidy 4% Program combines tax-credit equity with tax-exempt bonds, which developers receive through a competitive process. The Internal Revenue Service (IRS) governs these programs and determines annual state allocations by a per capita formula.

As of 2024, the Commission administers a portfolio of 1,201 projects with 117,061 units across Washington, of which, 92% of all units within the Commission's purview are rent and/or income-restricted, almost all financed with LIHTCs. The remaining 7% are units financed by 80/20 Bonds, Non-profit housing bonds and/or market rate with 1% as common area units.

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<sup>7</sup> Teles, D., Su, Y., Oneto, A. [Calculating AMI. How Calculation of Area Median Income Affects Housing Policy](#). Urban Institute Metropolitan Housing and Communities Policy Center. September 2023.

<sup>8</sup> [Is it Time for HUD to Settle on a Consistent Method to Determine the Income Limits Cap?](#) Novogradac New Markets Tax Credit Resource Center. July 5, 2023.

## Additional context

### Interagency collaboration

Commerce and the Commission collaborate to administer investments that build and maintain the state's affordable housing stock. While each agency administers a separate portfolio, properties subject to oversight by both agencies comprise up to half of the state's total projects from year to year.<sup>9</sup>

As of August 2024, approximately 42% of Commerce's portfolio and 45% of the Commission's portfolio were under dual regulatory agreements.<sup>10</sup> These properties are also subject to requirements and policies prescribed under the HTF and LIHTC programs, except for a smaller subset of 82 properties that receive HUD formula funds in addition to LIHTC credits.

All properties funded by Commerce, the Commission or both are subject to specific requirements related to household income, rent limits and ongoing compliance. This includes annual reporting via regulatory agreements, land covenants and contracts with specified term-lengths, usually of 40-50 years. Amendments to these requirements happen on a very limited basis, reducing opportunities for changes in practice.

### How rents are set

Commerce and the Commission collaborate on strategies and goals to streamline administrative efforts when possible, including when HTF and LIHTC programs rules or requirements differ.

#### The Commission

Commission-financed LIHTC properties use rent and income limits set by HUD, as required by the Internal Revenue Service (IRS). The Commission's Asset Management and Compliance Division publishes these limits on [its website](#) to assist owners and property managers in developing and managing their housing projects. While other state finance agencies have policies that restrict rents to a level below the maximum allowable dictated by HUD, the Washington Commission does not have such a policy.

#### Commerce

Income and rent limits for properties funded by Commerce's Housing Trust Fund are also established using limits published by HUD. While HUD publishes extremely low-income limits using "increases for poverty guidelines," Commerce did not adopt this adjustment when setting rent limits. This results in lower maximum allowable rent limits for individuals occupying extremely low-income units. Projects funded by the HOME and National Housing Trust Fund are set directly by HUD.

Commerce's Compliance Asset Management team within the Multifamily Housing Unit annually calculates and publishes income and rent limits on [its website](#). Based on HUD regulations, Commerce must review and approve the rent schedule for all HOME and National Housing Trust Fund (NHTF) units in a project on an annual basis. Owners may not implement rent increases on units funded by HOME or NHTF without Commerce's approval.

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<sup>9</sup> [Stabilizing rents for tenants in state-funded affordable housing. Interim Report to the Legislature](#). Washington State Department of Commerce. December 1, 2023. Commerce's affordable housing portfolio includes 1,356 properties comprising 46,856 units primarily serving extremely low-income households at or below 30% area median income. The Commission's portfolio includes 1,260 properties comprising 106,964 units primarily serving very-to low-income households with incomes at 50 to 60% area median income.

<sup>10</sup> A comprehensive list of Commerce and the Commission's jointly administered properties was provided to The Athena Group as of August 19, 2024.

## National regulations and updates

HUD bases its rent-limit methodology on median income data from the Census Bureau's American Census Survey (ACS). ACS data lags three years behind the year limits become effective, so HUD has historically used a Consumer Price Index (CPI) factor to adapt.

Since 2010, HUD has used a cap on rents calculated as the "greater of 5% or double the change in national median income." Changes in median income are unpredictable, which results in varied rent limit changes year over year and variances across counties. To calculate the 2023 income and rent limits, HUD would have used the 2020 ACS data; however, the impacts of the COVID pandemic prevented the data from meeting the Census Bureau's data quality standards. Therefore, HUD used the change from 2019 to 2021 ACS data without applying a CPI factor. The 2023 limits, published on May 15, 2023, capped rent increases at just under 6%.<sup>11</sup>

As of 2024, HUD has updated its methodology to incorporate a new 10% cap on year over year income increases.<sup>12</sup> Since limits on rent are calculated as a percentage of these income limits, the rent limits published will also be capped at a 10% annual change. This new cap provides additional restriction on the allowable rents providers can charge. This does not mean a resident might not receive a rent increase of 10% or higher, if their rent is far below the maximum rent limit.

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<sup>11</sup> Novogradac, "[Is it Time for HUD to Settle on a Consistent Method to Determine the Income Limits Cap?](#)" (July 5, 2023),

<sup>12</sup>Novogradac, "[HUD's Change in Formula for Income Limits Cap Means Lower Maximums for 2024](#)" (March 5, 2024),

# Existing protections and supports

Affordable housing policies used by Commerce and the Commission  
Commerce and the Commission monitor properties for compliance with program requirements.

Commerce monitors HTF properties for compliance. This includes reviewing annual reports, examining audited financial information and tracking loan payments.<sup>13</sup> HTF contractors must verify all low-income unit residents meet income eligibility requirements. They are also expected to utilize vacancy and occupancy rates when setting performance standards for their projects.

Commerce reviews project compliance annually using the following questions:

- Are properties offering the required number of low-income household units?
- Do tenants meet AMI requirements?
- Are rent limits on income-restricted units being observed?
- Are the required target populations being served?
- Are unit vacancy periods brief?
- Is each building in the project suitable for occupancy taking into account local and federal health, safety, building codes and physical conditions standards?

The Commission monitors compliance with LIHTC program requirements and regulatory agreement commitments, which includes reviewing annual reports to confirm household income eligibility, population served, that rents charged are within LIHTC limits and other factors. In addition to publishing income and rent limits, tax credit procedures and bond compliance manuals and related FAQs, the Commission offers numerous workshops, trainings and staff portfolio analysts to support LIHTC property owners and managers to fulfill tax compliance requirements.<sup>14</sup> The Commission also conducts physical conditions inspections of all LIHTC-funded properties once every three years and reports deficiencies and provides guidance on how to prepare for and address issues that arise during inspections.

When properties fall into non-compliance, Commerce and the Commission have various enforcement and assistance options. Actions taken to enforce compliance might include technical assistance, a workout strategy, for the Commission non-compliance reporting to HUD and/or IRS for LIHTC properties, contract termination or even foreclosure proceedings. If approved, HTF contractors may defer loan payments without defaulting on contract terms or receiving financial penalties.<sup>15</sup> Changes in loan terms are also allowed under certain circumstances to reduce financial burden, including:<sup>16</sup>

- Substantial change in market conditions
- Changes in the target population
- Decrease in available subsidies
- Higher than expected vacancy rates, turnover costs or unanticipated expenses related to natural disasters not covered by insurance

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<sup>13</sup> [Stabilizing rents for tenants in state-funded affordable housing. Interim Report to the Legislature.](#)

<sup>14</sup> [Tax Credit Compliance Procedures Manual.](#) Washington State Housing Finance Commission.

<sup>15</sup> [FAQ 2022 Loan Deferral Policy.](#) Washington State Department of Commerce.

<sup>16</sup> [Washington State Housing Trust Fund Handbook.](#) Washington State Department of Commerce. March 4, 2021.

Affordable housing residents frequently reach out to Commerce and the Commission for help with a range of issues, including concerns about property conditions, rent increases, and the risk of eviction.<sup>17</sup> Recognizing the importance of addressing these challenges, Commerce and the Commission are collaborating with The Athena Group to develop new strategies that focus on resident engagement and outreach efforts with property developers, owners and operators.

These strategies aim to foster more effective communication with residents and property managers, ensuring residents' voices are heard and needs are addressed. By building stronger relationships and responsive engagement channels, Commerce and the Commission hope to create a proactive support system, one that will inform strategies to mitigate areas of concern for both residents and property owners.

Other entities that assist tenants to investigate and enforce fair housing practices include the Washington State Human Rights Commission, the Office of Attorney General's Wing Luke Civil Rights Unit, and the Tacoma Human Rights and Human Services Department, which are certified as Fair Housing Assistance Programs. Additionally, HUD designated the Fair Housing Center of Washington (based in Tacoma) and the Northwest Fair Housing Alliance (based in Spokane) as Qualified Fair Housing Organizations to provide education, outreach and enforcement.

As of 2019, fair housing agencies in the state were reported to be underfunded and understaffed with large backlogs of complaints and cases. In addition, during a housing crisis when affordable housing is limited, tenants might report acts of discrimination less often due to a heightened fear of property owner retaliation.<sup>18</sup>

## State-level affordable housing policy across the country

There is a wealth of rent stabilization policies within local jurisdictions across the country. In 2019, Oregon enacted the first statewide rent stabilization law, quickly followed by California in the same year. Both laws allow rent increases at a set percentage of existing rent and a measure of annual inflation, prescribe new property owner penalties, and exempt newly constructed rental units for either a fixed or short-term period of time.<sup>19</sup>

Neither of these rent stabilization laws address enforcement of rent caps or vacancy rules. The intent of California's law is to enact temporary restrictions that prevent rent gouging during the housing crisis, and it is set to expire on January 1, 2030. Similarly, lawmakers in Oregon described their new policy as an anti-rent gouging measure that does not address the underlying issue of low housing supply.<sup>20</sup>

## Oregon

Oregon's law, [Oregon Revised Statute 90.323](#) (revised by Senate Bill 608), limits how much property owners can raise rent to 7% per year, plus the annual change in inflation. Properties less than 15 years old or that receive reduced rent through a subsidy are exempt. The law also provides "just cause" eviction requirements, which means landlords must provide a valid reason (just cause) to evict tenants who have lived on a property

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<sup>17</sup> [Stabilizing rents for tenants in state-funded affordable housing. Interim Report to the Legislature.](#)

<sup>18</sup> [Analysis of Impediments to Fair Housing Choice.](#) Washington State Department of Commerce.

<sup>19</sup> [Options and Tradeoffs: Rent Stabilization Policies.](#) US Department of Housing and Urban Development. Office of Policy and Research. June 28, 2022.

<sup>20</sup> Dake, Lauren. [Rent Control Is Now The Law In Oregon.](#) OPB. Feb. 28, 2019.

for at least one year. Violations might result in property owners paying up to three months' rent or damages to tenants. Property owners must also provide notice of any rent increases 90 days in advance.<sup>21</sup>

Oregon Housing and Community Services, which the Oregon Housing Stability Council oversees, administers affordable housing policies.<sup>22</sup>

## California

California's law, [Assembly Bill \(AB\) 1482, Tenant Protection Act of 2019](#), also limits how much property owners can raise rent. The maximum is 5% plus inflation or 10%, whichever is lower, and this law is set to expire on January 1, 2030. Properties less than 15 years old or that receive rental subsidies are exempt, as are certain dormitories and most single-family homes and condominiums. Property owners must inform tenants whether their unit is covered by or exempted from AB 1482. The law requires that property owners provide a valid reason (just cause) to evict tenants who have lived on a property for at least one year. Property owners are also required to pay relocation fees or waive up to one month of rent for no-fault evictions.

The Department of Housing and Community Development and the Tax Credit Allocation Committee administer California's affordable housing policies. An existing law, the Costa Hawkins Act, allows landlords to increase rents for new tenants when prior tenants move out.<sup>23</sup>

Rent control boards in certain cities, including Los Angeles, San Francisco, San Jose, Berkeley, Richmond and East Palo Alto, also regulate local rental markets.<sup>24</sup> The statewide law does not remove nor replace local regulations already in place. Tenants can file reports of excessive rent increases under the Tenant Protection Act with local rent boards.<sup>25</sup> Comparatively, Washington prohibited cities from implementing rent control policies in 1981.<sup>26</sup>

The effects of rent stabilization policies are best understood in the context of specific housing markets. For example, in the Bay Area, rent stabilization policies have reduced the likelihood of very-low income households moving out of neighborhoods and increased the likelihood of downward moves to poorer neighborhoods for extremely-low income households.<sup>27</sup>

## Washington

In recent years, the Legislature enacted several significant statewide policies to address the state housing supply shortage. [Chapter 254, Laws of 2021 \(E2SHB 1220\)](#) amended the Growth Management Act to require local governments to plan for and accommodate development of affordable housing for all income levels. Commerce publishes future projections of housing needs for every county by income bracket.<sup>28</sup>

[Chapter 332, Laws of 2023 \(HB 1110\)](#) and [Chapter 334, Laws of 2023 \(EHB 1337\)](#) require local governments to revise regulations to allow for more density and types of housing in areas traditionally zoned as single-family.

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<sup>21</sup> [Enrolled Senate Bill 608](#). Oregon State Legislature. 2019 Regular Session.

<sup>22</sup> [About the Oregon Housing Stability Council](#). Oregon Housing and Community Services.

<sup>23</sup> Chiland, E., Chandler, J. [Costa Hawkins: the California law renters want repealed, explained](#). Curbed Los Angeles. April 29, 2020.

<sup>24</sup> [A.G. File No. 2022-008](#). The California Legislature's Nonpartisan Fiscal and Policy Advisor. Legislative Analyst's Office. Feb 10, 2023.

<sup>25</sup> [The California Tenant Protection Act of 2019 \(AB 1482\)](#). SF.GOV. August 1, 2024.

<sup>26</sup> [Controls on rent for residential structures - Prohibited-Exceptions](#). RCW 35.21.830. Washington State Legislature.

<sup>27</sup> Hwang, J. [Who Benefits? Lessons from the Bay Area](#). Stanford University. May 4, 2022. Second session of a four-part webinar on Understanding the Rental-Market Impacts of Rent Stabilization Policy Choices. Federal Reserve Bank of Minneapolis. May 4, 2022. Video time: 35: 50-37:10.

<sup>28</sup> [Updating GMA Housing Elements](#). Washington State Department of Commerce.

The intent of these laws is to address the need for middle housing. Middle housing types mentioned in the law include multiplexes (2-6 units), townhouses, stacked flats, courtyard apartments and cottage housing.<sup>29</sup>

Also in 2021, the Legislature amended Washington's landlord-tenant law. Property owners must now provide at least a 14-day notice before initiating an eviction proceeding, and the notice form must include the total alleged financial obligation.<sup>30</sup>

**The Washington Low Income Housing Alliance identifies the following rent stabilization policy needs:<sup>31</sup>**

- Keep rent increases reasonable and predictable so tenants can plan and budget
- Stop rent increases from being a tool to punish, displace or deny tenants' rights
- Provide tenants with more time to adjust to rent increases

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<sup>29</sup> Butler, S. [Major Changes to Washington's Housing Laws](#). Municipal Research Services Center. July 19, 2023.

<sup>30</sup> [Landlord-Tenant 14 Day Notice Forms](#). Washington State Office of the Attorney General.

<sup>31</sup> [Roadmap to Housing Justice](#). Washington Low Income Housing Alliance.

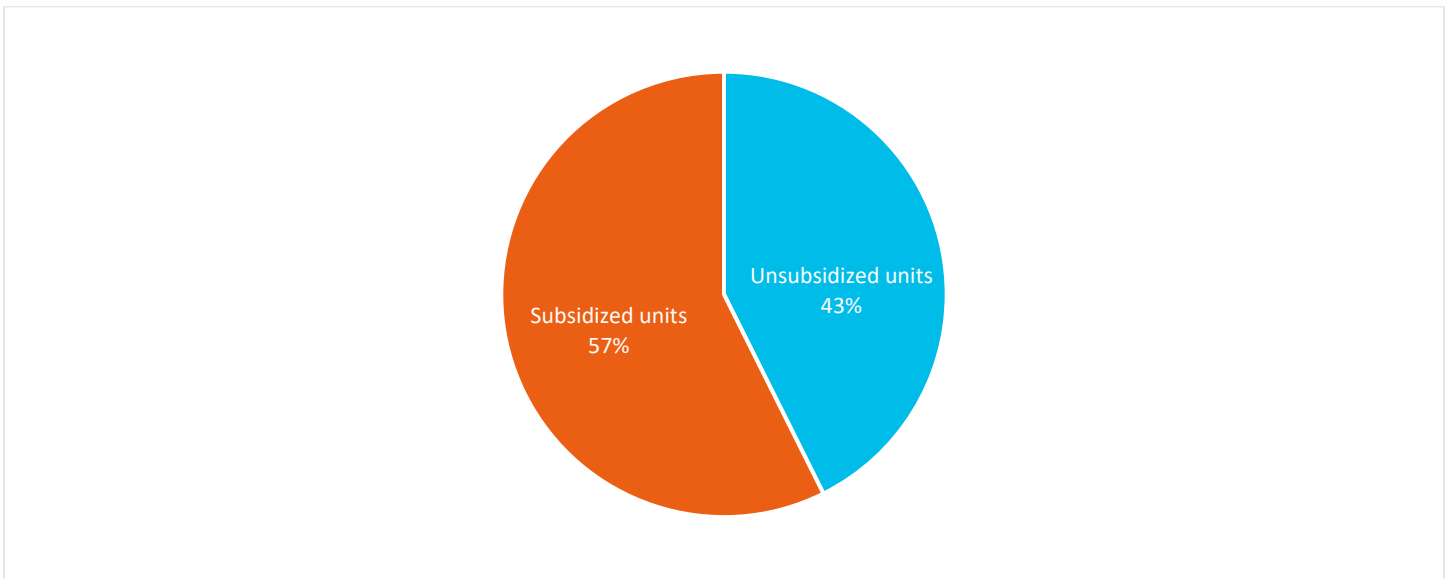
# Affordable housing portfolio analysis

In creating this report, Commerce and the Commission simultaneously conducted analyses of their affordable housing portfolios. As noted earlier, approximately 40% of each agency's portfolio overlaps. This analysis considers a variety of factors related to the state's affordable housing. Both agencies include a breakdown of the number of subsidized versus unsubsidized units. Subsidized means a household receives a rental subsidy, such as [Section 8 Choice Vouchers](#) or a comparable long-term rental subsidy. Additionally, the analysis includes data demonstrating the challenge of rent burden among tenants living in unsubsidized units. Unsubsidized means that a household is not reported as receiving a long-term rental subsidy, such as Section 8. This data analysis only includes LIHTC, HOME and HTF units within the Commission and Commerce's portfolio who did not receive rental assistance in 2023. Bond-only (80/20 Bonds and Non-profit housing bonds) and market-rate units were not included in this analysis.

## Commerce

Within the affordable housing portfolio Commerce administers through various funding programs mentioned in the previous section, 57% of households living in rent-restricted units receive rental subsidies, while the remaining 43% do not (see Figure 3). Commerce projects include 390 units of market-rate housing, which this data does not include. The following rent burden analysis is based on the 43% of Commerce-funded units without rental subsidies.

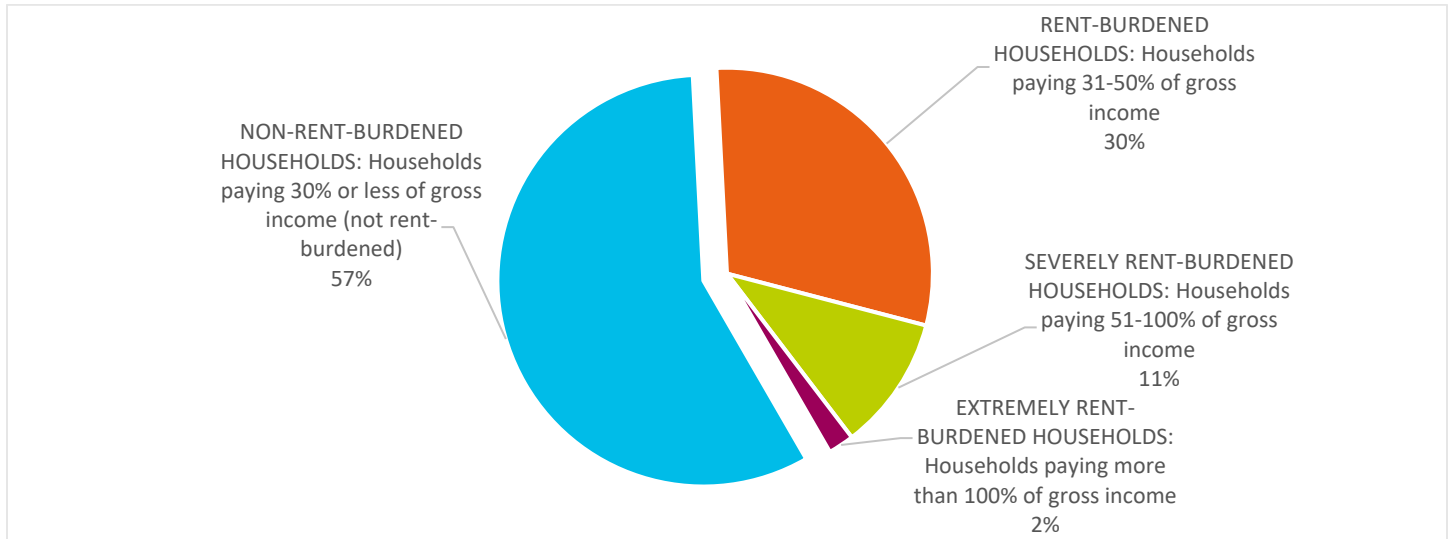
**Figure 3: Subsidized vs. unsubsidized units in Commerce's portfolio**



Source: Washington State Department of Commerce

Within the unsubsidized units in the Commerce portfolio, 43% of tenants were experiencing rent burden as of 2023. Of the tenants experiencing rent burden, 70% paid between 31-50% of their gross income towards rent. The remaining 30% of tenants paid 51% or more of their income towards rent, falling within the categories of "severely rent burdened" or "extremely severely rent burdened" (see Figure 4).

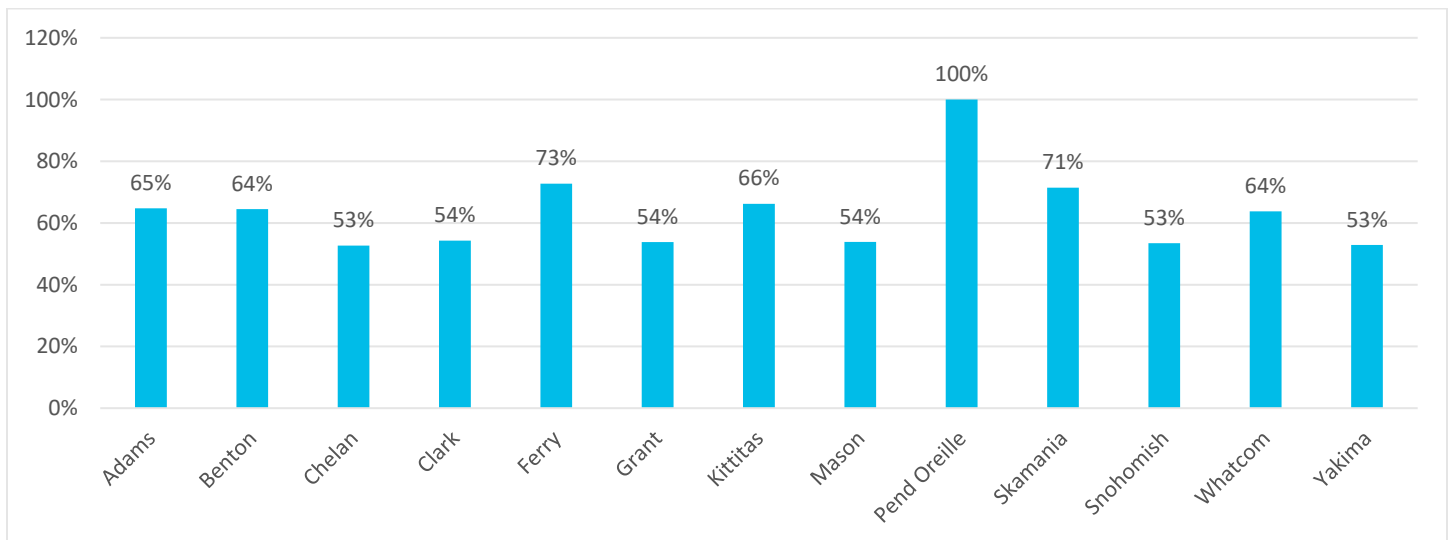
**Figure 4: Proportions of households by severity of rent burden in unsubsidized Commerce units**



Source: Washington State Department of Commerce

Across the state, there is a geographic disparity in rent burden experiences among the households living in Commerce-funded housing units. Rent burden more heavily affects 13 counties: Adams, Benton, Chelan, Clark, Ferry, Grant, Kittitas, Mason, Pend Oreille, Skamania, Snohomish, Whatcom and Yakima. In these counties, which represent portions of the state's suburban, rural and frontier communities, more than 50% of tenants living in Commerce-funded housing without additional subsidies were experiencing rent burden as of 2023 (see Figure 5). In the state's most urban counties: King, Pierce and Spokane, less than 50% of unsubsidized tenants in the Commerce portfolio experienced rent burden in 2023, with the proportion of King County tenants falling as low as 39%.

**Figure 5: Counties with more than 50% of Commerce-funded units experiencing rent burden**

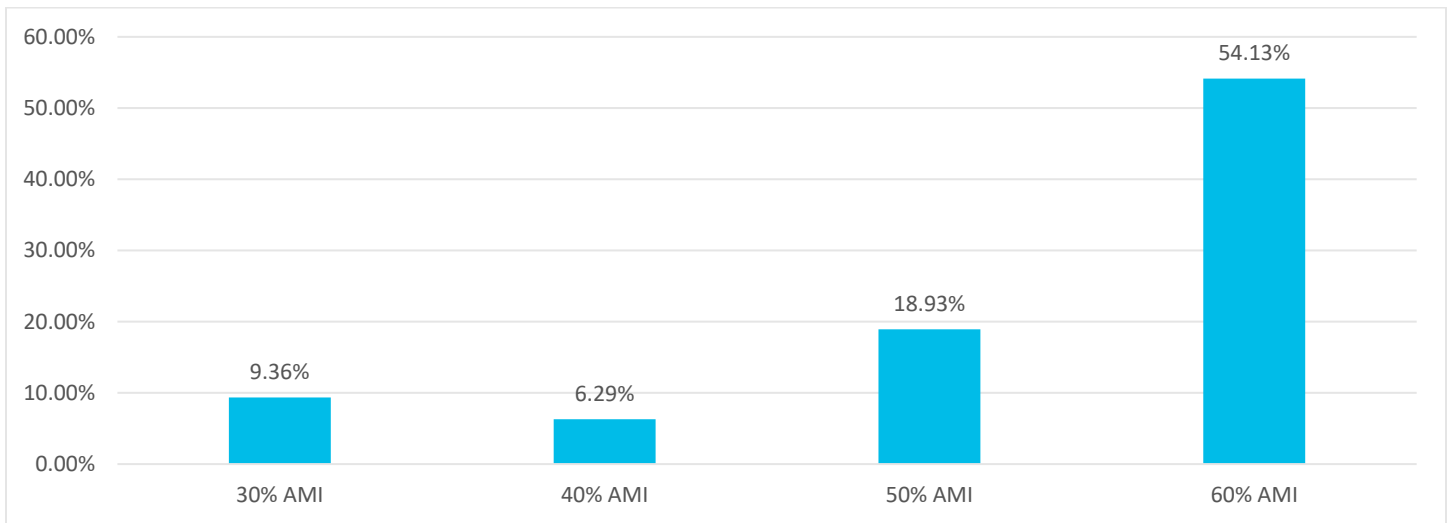


Source: Washington State Department of Commerce

# The Commission

As discussed above, the Commission administers housing units through a variety of financing tools, primarily through the LIHTC bond/4%, and 9% programs. Across the Commission's LIHTC portfolio, the majority of financed units (more than 50%) are allocated to households at the 60% AMI level, while the remaining less than half are allocated to income levels below 50% AMI (see Figure 6). This is because the LIHTC bond/4% projects (which typically serve a higher income range and carry debt financing) make up a majority of the Commission's portfolio. The Commission's portfolio also includes 8,996 bond funded units that are income restricted but not rent restricted, which this data does not include.

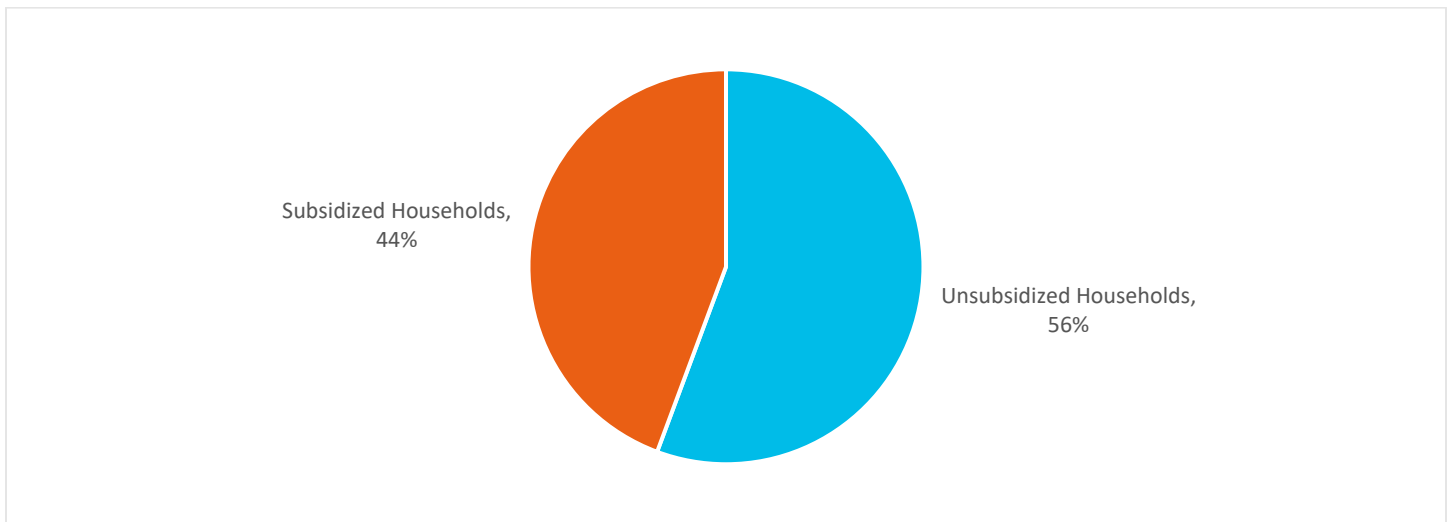
**The Figure 6: Commission portfolio unit AMI spread**



Source: Washington State Housing Finance Commission as of 2024

As in the analysis of Commerce's portfolio, the rent burden analysis for the Commission portfolio also takes into consideration only the units occupied by households reported as not receiving additional rental assistance. Within the Commission's portfolio, 56% of units are unsubsidized (see Figure 7).

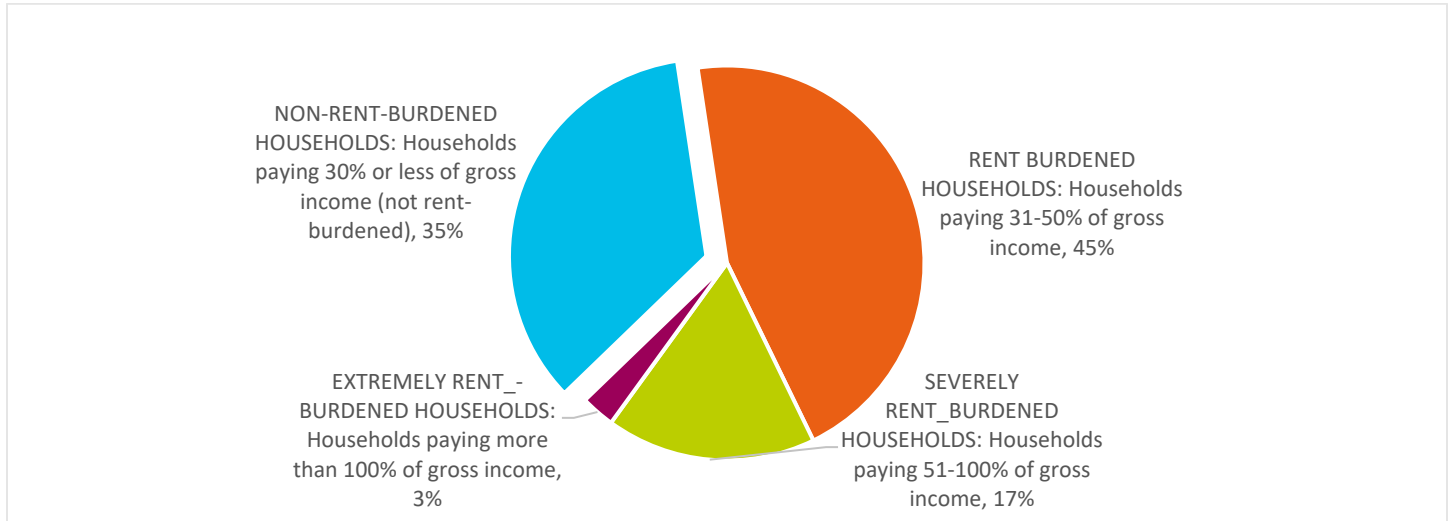
**Figure 7: Subsidized vs. unsubsidized units in Commission's portfolio**



Source: Washington State Housing Finance Commission

Approximately 65% of unsubsidized households in the Commission's portfolio were experiencing rent burden as of 2023. Currently, 45% of households in the Commission's portfolio pay between 31-50% of their gross income towards rent. 17% pay between 51-100% of their income, and 3% pay 100% of their gross income towards rent (see Figure 8).

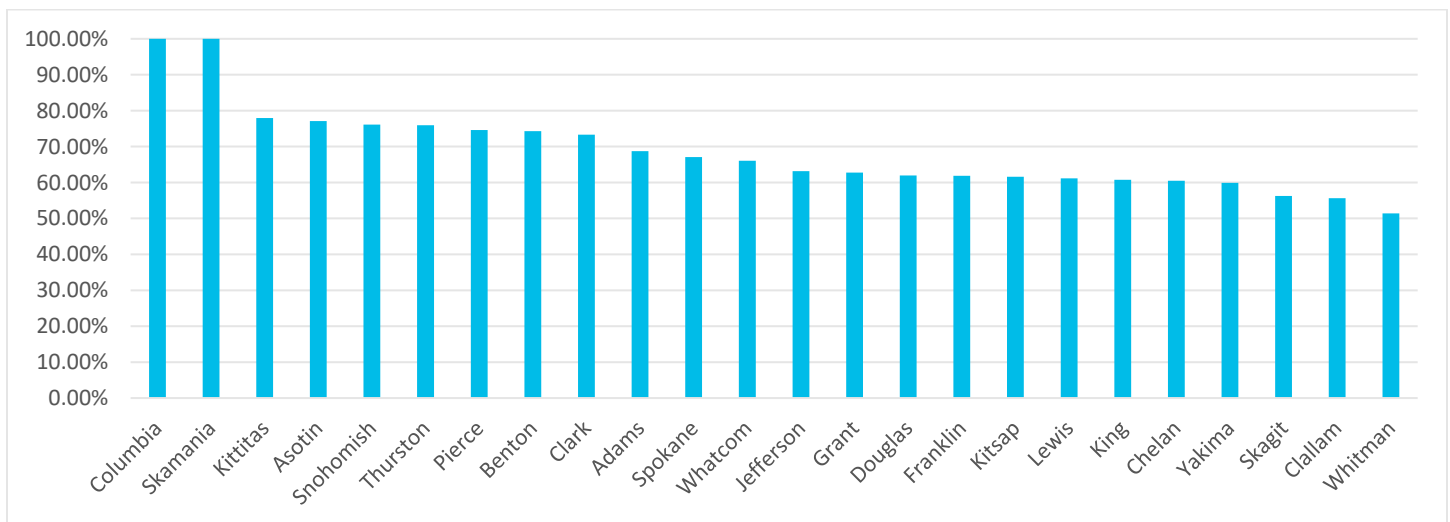
**Figure 8: Proportions of households by severity of rent burden in unsubsidized Commission units**



Source: Washington State Housing Finance Commission

Within the Commission's unsubsidized portfolio, 24 counties have greater than 50% of tenants experiencing rent burden (see Figure 9). In some counties, there is also a very high rate of severe and extremely severe rent burden (see Table 1). Unlike the rural and frontier disparity seen in the Commerce portfolio, high rates of rent burden are experienced across urban (including the three largest: King, Pierce and Spokane), suburban and rural counties in Commission-funded properties.

**Figure 9: Burden in counties with more than 50% of Commission-funded units experiencing rent burden**



Source: Washington State Housing Finance Commission

**Table 1: Household rent burden by county (counties with 50% rent-burdened households)**

County	Number of projects	30-50% of income paid towards rent	50-70% of income paid towards rent	70-100% of income paid towards rent	100% and up paid towards rent
Adams	5	62%	4%	2%	0%
Asotin	4	63%	10%	2%	2%
Benton	19	55%	14%	4%	1%
Chelan	9	37%	8%	10%	6%
Clallam	18	36%	16%	3%	1%
Clark	58	51%	15%	5%	2%
Columbia	1	38%	31%	19%	13%
Douglas	6	37%	20%	2%	3%
Franklin	9	48%	9%	4%	2%
Grant	34	48%	11%	4%	1%
Jefferson	8	49%	13%	1%	0%
King	405	42%	11%	4%	4%
Kitsap	35	39%	16%	5%	2%
Kittitas	7	54%	16%	5%	4%
Lewis	18	44%	15%	2%	1%
Pierce	66	52%	16%	5%	2%
Skagit	30	41%	10%	4%	1%
Skamania	1	50%	33%	0%	17%
Snohomish	95	51%	16%	5%	3%
Spokane	76	50%	11%	4%	2%
Thurston	28	54%	14%	5%	2%
Whatcom	41	42%	15%	6%	3%
Whitman	7	33%	10%	3%	6%
Yakima	50	44%	12%	3%	1%

## Continued challenges

During the development of the interim report, affordable housing property owners and managers highlighted several key challenges which have contributed to the issues outlined in the portfolio analyses. These struggles as reported in the interim report are highlighted below, continue to worsen.

### Operating costs increased:

- Insurance costs up 25% year over year, 80% over a three-year period
- Materials up 40% since 2020
- Repairs and staffing costs higher

## **Rent collections decreased:**

- Collections range from 60-90% versus pre-2020 levels of 95-100%
- Short-term emergency vouchers are an issue as assistance ends

## **Safety and security:**

- There is a need expressed for increased staffing for security
- 24-hour staffing costs approximately \$100k per property per month

## **Housing mismatch:**

- There is no ability to move people into permanent supportive housing or other housing with services if needed

# Guiding principles

Through the development of both the interim and final report, Commerce and the Commission used the following set of values to guide our exploration of rent stabilization strategies. We acknowledge these values are inherently in conflict and seek to find a balance promoting the long-term health and stability of both affordable-housing residents and the properties in which they live.

- **Housing stability is an essential foundation for people to thrive.** Everyone, regardless of income, race, ethnicity, gender identity and ability, deserves a healthy, safe and affordable place to live.
- **The financial health of rent-restricted housing properties is necessary to ensure the physical maintenance of buildings** as high-quality, healthy and safe places for residents to live.
- **Resources to fund the operations, maintenance and services associated with managing affordable housing properties are too limited,** creating significant challenges for affordable housing providers.
- **Low-income residents need predictable and manageable rent increases to maintain housing stability** and prevent displacement or falling into homelessness. This is particularly true for Black, Native American and other People of Color (BIPOC) residents, who are disproportionately harmed by our systems.

# Efforts to date and strategy proposals

In the interim report, the Commission and Commerce described the limited efforts taken so far to mitigate rent burden for state-funded affordable housing residents. Since that report, our efforts have continued to evolve as we try to balance the needs of both residents and property owners, especially at a time when affordable housing providers are raising serious concerns about operating existing properties. The Commission and Commerce continue to collaborate on this effort and are engaging with interested parties and partners, including residents, public funders, housing authorities and resident advocacy groups. Additionally, we will engage key financial partners such as banks and investors that underwrite and provide financing for affordable housing for their feedback.

Taking into consideration the conflicting guiding principles outlined in the previous section, the collaborating agencies recognize the importance of an extended engagement process to inform and develop potential considerations moving forward.

## Potential policy considerations

The following policy considerations are divided into three categories:

- 1. Lease-related strategies**
- 2. Incentives and Policies**
- 3. Supports**

Each strategy has various considerations that align with the guiding principles of both supporting rent stabilization for tenants and maintaining the financial health of affordable housing. Commerce and the Commission are in the beginning stages of soliciting input and feedback from interested parties about these policy considerations.

### 1: Lease-related strategies

#### 1.1: Limit the frequency of rent increases

This proposal would limit rent increases to only once every 12 months, regardless of the lease term length. An owner may seek an exemption if the rent increases are part of a property's necessary financial repositioning. In order to mitigate rent burden on existing residents, exemptions would phase rent increases over a period.

#### 1.2: Rent notice periods

Under this proposal, owners would be required to provide existing residents with at least 90 days' notice prior to implementing a rent increase. For subsidized units where the tenant portion of the rent does not change (Section 8, etc.), at least 30 days' notice would be required.

#### 1.3: Standard lease terms

This proposal would require all households occupying a rent- and/or income-restricted unit to have a lease agreement with a defined term in place. The lease could not include language allowing rent increases within less than a 12-month period from the initial lease date.

## 2: Incentives and policies

### 2.1: Incentivize underwriting rents below AMI unit target percentage

This strategy proposes to provide an incentive for developers who commit to restrict rent to 5% below the maximum AMI set-aside on units not supported by project-based rental assistance. These properties would be eligible for additional points as part of the scoring criteria during the competitive financing application. For example, in units that are reserved for households earning up to 30% AMI, a project could commit to using rent limits based on the 25% AMI limit.

### 2.2: Adjust the unit set-aside matrix in the allocation process

This proposal includes the Commission's conducting an evaluation of the 9% Tax Credit Program's Additional Low-Income Set-Aside Menu, which provides a matrix of options that developers select as their ongoing affordability commitment for incentive points when applying for allocations of tax credits under this program. The matrix provides a menu of options, allowing developers to serve households across a prescribed mix of income levels. For example, one current option is to commit to 50% of the units serving households at 30% AMI, 25% of the units serving 40% AMI and 25% of the units serving 60%. The Commission will examine portfolio data for outcomes as it relates to rent burden and adjust matrix options as appropriate to address unintended consequences that have resulted in rent burden for residents. This could incorporate a policy for using the Average Income Test (AIT or income averaging) as an option in addition to adjustments to the current menu of options.

### 2.3: Rent cap policy

This proposal is still under development with the consideration of key questions. One question includes whether limits on rent increases are feasible for housing properties designated for seniors that must comply with the federal Fair Housing Act (generally residents 55 and older). Theoretically, it would require these properties (and possibly others) to cap rent increases below the HUD limit (which currently caps the increase of rent limits at 10%). This strategy option requires further analysis of the current portfolio's operations and the impact on both property and agency feasibility to implement. Implementation of any rent cap policy would only apply to new projects after an effective date or projects that receive additional resources to preserve the project's affordability.

## 3: Supports

### 3.1: Resident-centered best practices toolkit and technical assistance

This strategy would develop a resident-centered toolkit of best practices for owners and property managers. It would provide tools to evaluate and mitigate rent burden for households, as well as guidance for clearly communicating information to residents. Demonstrated use of the toolkit could be incentivized once in place.

### 3.2: Increase the availability of rental subsidy or operating and maintenance funds

This plan includes submitting an \$88 million budget request for the state's 2025-2027 biennial operating budget to expand funding for operations and maintenance, rental assistance and/or operating, maintenance and services (OMS) subsidy programs. This would directly address both rent burden and property needs by subsidizing rent revenue.

## Next steps: Community engagement

Commerce and the Commission are committed to ensuring that housing projects funded with state investments are affordable to the target populations these projects are intended to serve beyond the requirements of the provisos directing the production of this report. To ensure the efforts that result from rent stabilization efforts are successful, Commerce and the Commission contracted with the Athena Group to lead a focused engagement initiative to strengthen relationships with groups of key interested parties. These groups include residents (with a focus on seniors and rural communities), resident advocacy groups, property managers and operators, and developers (both non-profit and for-profit). The results of this engagement work will be made publicly available.

### Guiding approach: Community Connectivity Analysis

Central to this engagement effort is the use of Community Connectivity Analysis (CCA) mapping, which enables a more structured and strategic approach. CCA mapping ensures that we listen to affected people's experiences and perspectives, honor what they share, and integrate it into policy recommendations.

### Benefits of a Community Connectivity Analysis (CCA):

- 1. Identifying trusted messengers:** By utilizing CCA, Commerce and the Commission identify key community connectors who can enhance the spread of information and increase participation in listening sessions. These relationships play a crucial role in extending the reach of engagement efforts and ensuring diverse voices are heard from both urban and rural areas.
- 2. Strengthening long-term relationships:** Beyond the immediate listening sessions, CCA provides lasting value by mapping the social networks within each interested party group. This allows Commerce and the Commission to foster deeper, more resilient partnerships meant to continue and evolve alongside community needs.
- 3. Generating actionable insights from local knowledge:** Through these engagements, Commerce and the Commission access local knowledge that might otherwise go unnoticed. By using CCA to identify patterns and trends in community concerns, the initiative reveals context-specific solutions that align with interested parties' experiences, leading to more informed and actionable policies.
- 4. Improving outreach and ensuring inclusive participation:** Insights from the CCA enhance targeted outreach efforts to include underrepresented groups, especially in rural and isolated communities. The CCA identifies key figures within these groups who can champion participation and disseminate critical information about rent stabilization and housing policy initiatives.

## Engagement efforts

### Athena Group-led engagement efforts

The engagement efforts led by the Athena Group will consist of two in-person listening sessions with residents and three virtual sessions (with resident advocacy groups, property managers and operators, and developers). A fourth virtual session may be held based on what emerges in the currently planned sessions.

## Residents of state-funded affordable housing

The first in-person listening session with residents was held in late October at a senior affordable housing community in Tacoma, and the second is planned to take place in Tieton to hear from rural and farmworker residents. The insights from the CCA help boost engagement through identified trusted messengers, as described above.

### Senior and rural communities

CCA will guide targeted outreach to these groups, addressing their unique needs, such as accessibility, affordability and proximity to community resources. Listening sessions prioritize hearing their experiences with housing stability, rent increases and the critical role of local community support structures.

### Resident advocacy groups

The sessions focus on surfacing systemic challenges, particularly around tenant rights, rent caps and long-term housing stability. By using CCA insights, Commerce and the Commission identify key advocates who can further distribute information, gather feedback and bring these issues to the forefront of policy discussions.

## Property management and operator groups

Virtual sessions focus on how rent policies affect their property management operations and what tools they need to ensure compliance while supporting housing affordability. CCA mapping reveals existing relationships and potential network gaps, ensuring outreach efforts are comprehensive.

## Nonprofit and for-profit developers

Engagement highlights the challenges faced by developers to maintain affordability within the constraints of rent stabilization policies. CCA assists in identifying developers who have a history of community-focused development, ensuring their input informs sustainable housing solutions.

## Commerce- and Commission-led engagement efforts

### Public funders

On September 18, in collaboration with the Commission, Commerce staff distributed a 10-question Public Investors Survey to over 50 recipients. This survey is part of our joint initiative to explore rent stabilization strategies for state-funded affordable housing. It includes questions on potential policy changes, rent stabilization strategies and feedback from public funders.

## Housing authorities

Commerce and the Commission started engaging with the Association of Washington Housing Authorities (AWHA) in late 2023 to determine the best path for engaging this large group. Housing authorities are uniquely positioned as they operate under a more regulated environment with access to resources that typically non-profit and for-profit organizations do not have. AWHA identified a sub-committee of five housing authorities interested and available to discuss the topic at a deeper level. Initial feedback and engagement from this smaller group has already revealed the variances of different housing authorities' day-to-day policies and the challenges they face due to additional requirements and administrative burdens. They also highlight the fundamental differences in the regulation and management of subsidized versus unsubsidized units or buildings.

Commerce and the Commission will continue engagement efforts with the committee and broaden the circle to include the rest of the housing authorities as strategies are refined. The goal is to uncover proven and best practices to inform our approach. Efforts are ongoing as we discuss potential strategies to support residents.

### **Financial partners**

Commerce and the Commission will also conduct outreach and engagement with key financial partners such as banks and investors who play a critical role in financing affordable housing. The goal is to ensure that strategies developed do not create unintended consequences or barriers to attracting and retaining private investment in the state's affordable housing portfolio.

### Final thoughts

By using Community Connectivity Analysis mapping in combination with in-person sessions and virtual engagement, Commerce and the Commission will ensure comprehensive and effective efforts to engage interested parties. This approach not only leads to deeper relationships with key groups of interested parties, but also helps us access local knowledge and use it to develop long-term housing policy. The insights gained from this initiative will lay the foundation for sustainable housing strategies that reflect the needs and experiences of all interested parties across Washington.