

2023 Affordable Housing Update



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

**AFFORDABLE HOUSING
ADVISORY BOARD**

March 2023

Report to the Legislature

Director Mike Fong

Acknowledgments

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Executive Summary

Overview

The Affordable Housing Advisory Board (AHAB) is a 24-member board with 21 members appointed by the governor. Its role is to “address the state’s need for housing that is affordable to all economic segments and populations”,¹ and it serves as the Department of Commerce’s (Commerce) principal advisory body on housing and housing-related issues. [RCW 43.185B.040](#) requires Commerce to “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.” This report constitutes the 2023 update.

Key findings

Despite an increase in single-family and multi-family housing starts across the state, it is not enough to meet the housing need in Washington. Home prices continue to increase across the state making homeownership less attainable. Renters are also becoming increasingly cost-burdened² or extremely cost-burdened.³ While access to affordable homes is scarce for all but the wealthiest Washington residents, there is stark disparity between homeownership rates among white and Black, Indigenous, and People of Color (BIPOC). To close the gap, more than 143,000 BIPOC households in Washington would need to become homeowners.⁴ In addition, new housing needs projections show that Washington will need 991,529 additional units by 2044 with a majority of those units being for extremely low-income households making 0-30% area median income.

Summary of recommendations

Washington residents, especially BIPOC and low-income households, are struggling to find safe and affordable homes. Although thousands of housing units were developed in 2022, the statewide housing need continues to outpace housing starts. Washington needs more housing of all types, more subsidized affordable housing for low-income households, and policies that directly address racial disparities in homelessness, housing affordability and homeownership.

To address these issues, AHAB recommends state action in four broad categories:

1. Assistance for tenants and homeowners financially impacted by COVID-19
2. Funding for affordable housing and homelessness
3. Housing justice
4. Increase housing supply

Note to Reader:

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

¹ Washington State Legislature, "Housing Policy Act, RCW 43.185B.020," <https://app.leg.wa.gov/rcw/default.aspx?cite=43.185b>

² HUD defines cost-burdened families as those “who pay more than 30 percent of their income for housing” and “may have difficulty affording necessities such as food, clothing, transportation, and medical care.”

³ Severe cost-burdened is defined as paying more than 50 percent of one’s income on rent.

⁴ Washington State Department of Commerce, “Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington,” <https://deptofcommerce.app.box.com/file/1025372532175?s=zqs8xhdhskn4mvma9tp3a42xmc19slch>

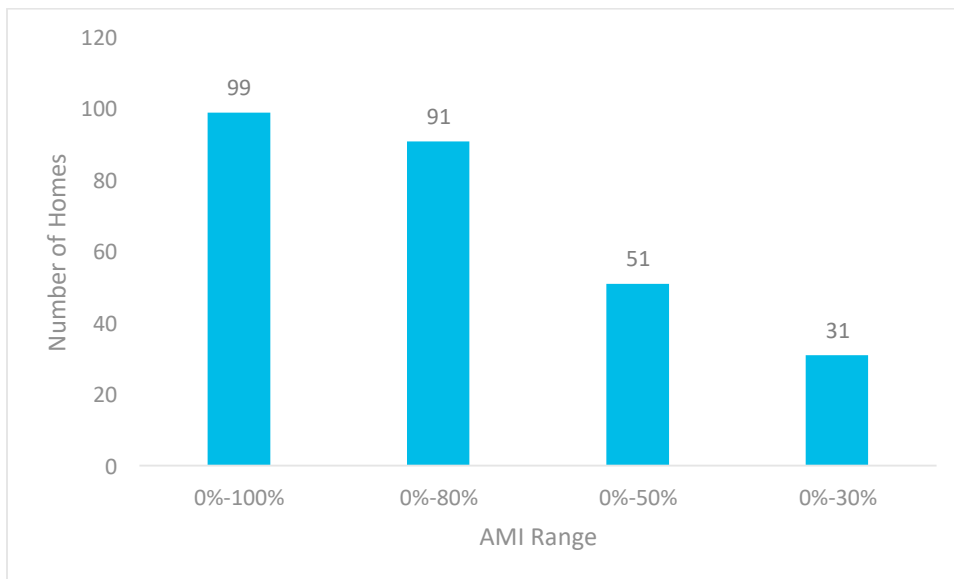
The current state of affordability

Overview

In the past year, Washington’s population increased by 97,400 to an estimated 7,864,400 people as of April 1, 2022. The growth rate for 2022 measured 1.3% compared to 0.8% in 2021.⁵ King County is the primary contributor of the population growth adding just over 30,000 people this year. Net migration accounted for 86% of the state’s population growth, and housing growth remained a strong indicator of population growth with 46,500 housing units added in the past year, 58% of which were multifamily.

Despite thousands of additional housing units built, it is not enough to meet the housing need in Washington. There is a shortage of affordable⁶ and available homes across the state for all income ranges, especially extremely low-income households.⁷ The statewide apartment vacancy rate is still very low at 3.8% as of spring 2022. This is well below the national average of 5.8%.⁸ Low vacancy rates are an indicator that there are not enough rentals on the market to keep up with demand meaning landlords are more likely to increase rents.

Figure 1: Affordable and available homes per 100 renter households⁹



According to the National Low Income Housing Coalition, the annual income needed to afford a modest two-bedroom rental in Washington is approximately \$65,161, or the equivalent of working 86 hours per week at minimum wage. While the area median income (AMI) in Washington is \$108,911, more than 37% of renter households in the state make less than 50% of the AMI; in other words, \$54,456 or less annually. More than a third of the population in Washington cannot afford a modest two-bedroom rental meaning they are more likely to sacrifice other necessities like healthy food and healthcare to pay the rent, and are more likely to experience

⁵ Washington State Office of Financial Management, “Washington tops 7.8 million residents in 2022,” <https://ofm.wa.gov/about/news/2022/06/washington-tops-78-million-residents-2022>

⁶ HUD defines housing that is affordable as housing in which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities.

⁷ Extremely low-incomes are at or below the poverty guideline or 30% of their area median income (AMI).

⁸ Washington Center for Real Estate Research, “Washington State Apartment Market Report – Spring 2022,” <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2022/02/2022SpringApartmentMarketReport.pdf>

⁹ NLIHC tabulations of 2020 5-year ACS PUMS data.

unstable housing situations like evictions.¹⁰ We also know that renter households are disproportionately people of color.¹¹

The Department of Housing and Urban Development (HUD) housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. In an attempt to keep up with the rent increases in the private market, HUD has recently updated the methodology used to determine fair market rents (FMRs) by supplementing public data with data from private sources.¹² This is imperative to ensure more families can receive the housing assistance they need.

In addition to rising rents, the Washington Center for Real Estate Research shows the statewide median sales price for a single-family home has increased by 14.6% since 2020 reaching \$654,500.¹³ Housing starts have steadily increased since 2021 with a 7.2% increase in single-family permits, and a 33.2% increase in multifamily permits statewide.¹⁴ However, housing production still is not keeping pace with housing need, especially for first-time homeownership. Statewide first-time homebuyer index has decreased with a score of 45.5; this means that a household earning 70% of the median household income has only 45.5% of the income required to purchase a typical starter home. A rise in investor-owned properties could be a major contributing factor to a shortage of affordable homes. Last year, investors bought 22% of all single-family homes sold in Washington State – a 102% increase from 2020 – further driving up both rents and home prices.¹⁵ When investors purchase in great quantities, starter homes are inaccessible for first-time homebuyers, especially Black families and other families of color.

¹⁰ National Low Income Housing Coalition, "Racial Disparities Among Extremely Low-Income Renters," <https://nlihc.org/resource/racial-disparities-among-extremely-low-income-renters>

¹¹ National Low Income Housing Coalition, "Racial Disparities Among Extremely Low-Income Renters," <https://nlihc.org/resource/racial-disparities-among-extremely-low-income-renters>

¹² The Department of Housing and Urban Development, "HUD Publishes FY 2023 Fair Market Rents," https://www.hud.gov/press/press_releases_media_advisories/HUD_No_22_161

¹³ Washington Center for Real Estate Research, "Washington Market Highlights: Second Quarter 2022," <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2022/09/wshmsq222.pdf>

¹⁴ Washington Center for Real Estate Research, "Washington Market Highlights: Second Quarter 2022," <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2022/09/wshmsq222.pdf>

¹⁵ The PEW Charitable Trusts, "Investors Bought a Quarter of Homes Sold Last Year, Driving up Rents," <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/07/22/investors-bought-a-quarter-of-homes-sold-last-year-driving-up-rents>

2022 progress

Commerce restructures to accommodate growth

This year, Commerce received a historic level of funding – an additional \$2 billion to the 2021-2023 biennial budget, bringing total funding from \$5.2 billion to \$7.2 billion. The increase in funding allowed the agency to expand and divide the Community Services & Housing Division (CSD) into two separate divisions: the Community Services Division (CSD) and the Housing Division (HD).

In addition, Commerce created a new unit within the Housing Division to focus solely on permanent supportive housing. The Office of Apple Health and Homes as well as a Permanent Supportive Housing Advisory Committee was created as a result of the 2022 legislative session¹⁶ and will be overseen by the Apple Health and Homes/Permanent Supportive Housing (AHAH/PSH) unit in Commerce. The unit will provide technical assistance and help create and maintain affordable housing for people living with behavioral health conditions, other disabling conditions and with extremely-low incomes.

Overall, the agency is projecting approximately 200 new team members, continuing the significant growth the division has already seen over the past two years. Commerce's growth and restructuring is a direct response to the urgent public need for a more focused approach to supplying housing and eliminating homelessness.

Housing justice for BIPOC continues to be top priority

We understand homeownership as one of the primary ways for families to build wealth¹⁷ However, racist government policies and business practices have disproportionately affected Black, Indigenous, and people of color (BIPOC) from achieving homeownership.

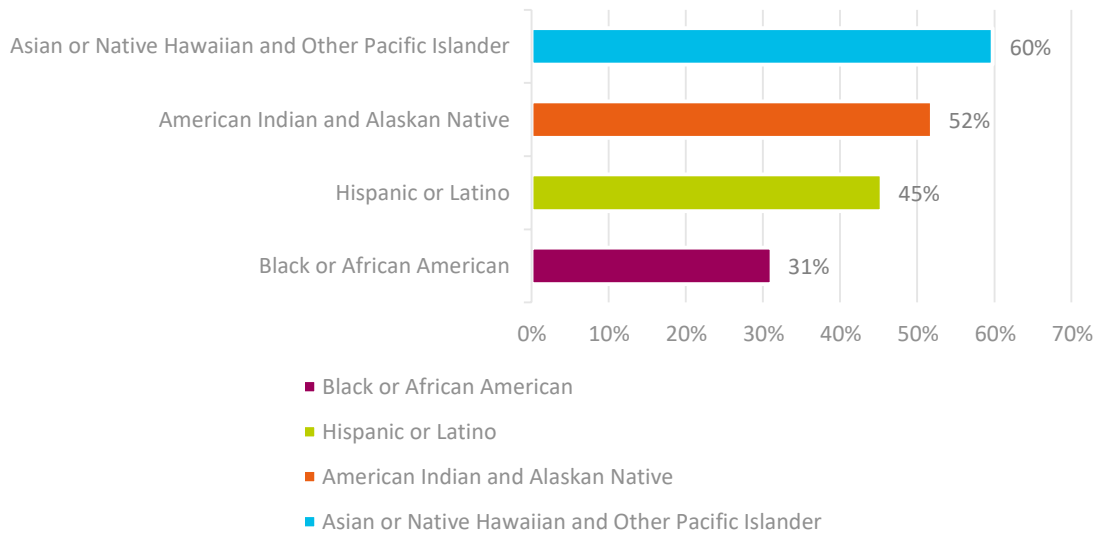
In the 2021-2023 operating budget, the Legislature tasked the Commerce with convening a diverse homeownership-focused work group to identify barriers and offer recommendations that would reduce the disparity in homeownership for BIPOC communities ([ESSB 5092, Sec 129 \(100\), Laws of 2021](#)). The Homeownership Disparities Work Group created a report,¹⁸ which highlights the stark disparities between white and BIPOC homeownership rates in Washington. In order for the BIPOC homeownership rate to equal that of non-Hispanic whites, more than 143,000 BIPOC households in Washington would need to become homeowners.

¹⁶ Office of Apple Health and Home was created in response to [ESHB 1866](#) and the permanent supportive advisory committee was created in response to [SHB 1724](#).

¹⁷ Urban Institute, "Reducing the Racial Homeownership Gap," <https://www.urban.org/policy-centers/housing-finance-policy-center/projects/reducing-racial-homeownership-gap>

¹⁸ Washington State Department of Commerce, "Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington," <https://deptofcommerce.app.box.com/file/1025372532175?s=zqs8xhdhskn4mvma9tp3a42xmc19slch>

Figure 2: Homeownership rate by race/ethnicity, 2019¹⁹



The Homeownership Disparities Work Group prioritized 27 recommendations to help overcome what they see as the two biggest barriers to BIPOC homeownership: affordable homeownership supply and direct homeownership assistance.²⁰ The recommendations provide guidance to the Legislature and state agencies regarding how to overcome these two barriers, while improving inadequate lending products for BIPOC borrowers, increasing access to existing assistance programs, and eliminating systemic factors that disproportionately affect BIPOC households' ability to sustain homeownership.

Support for low-income housing

Housing Trust Fund

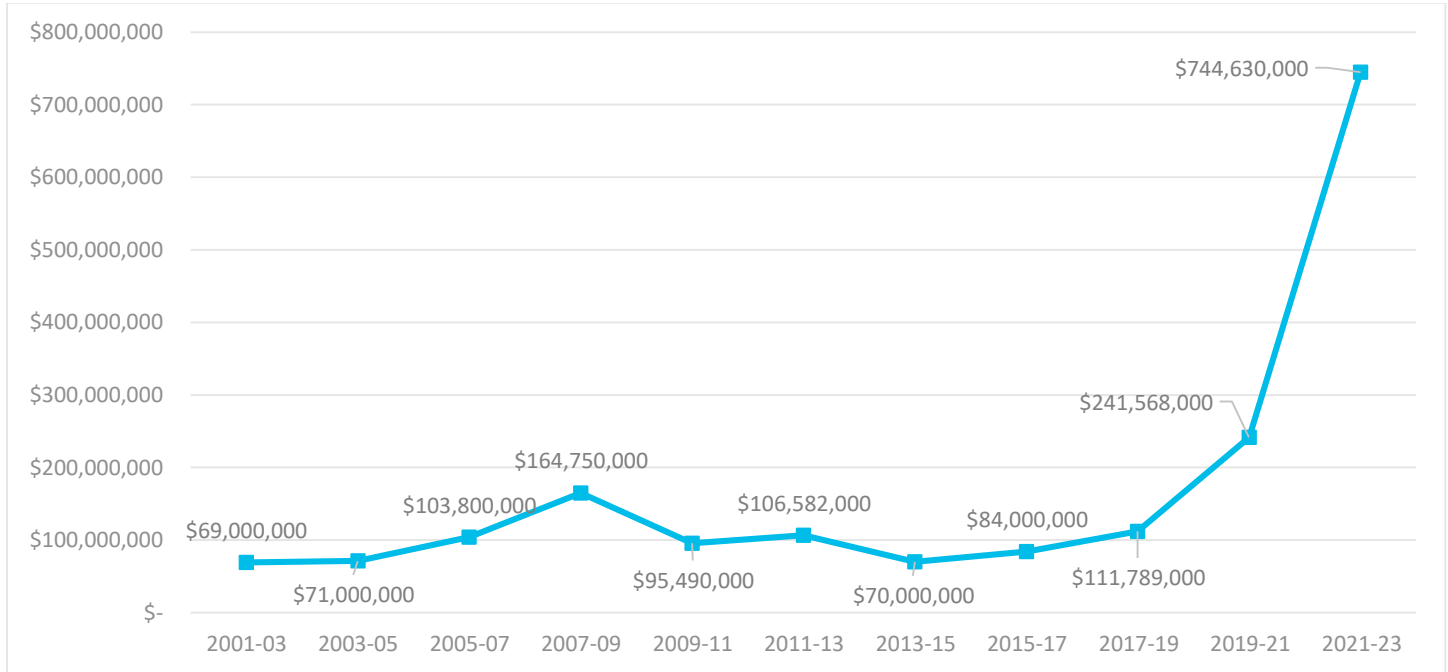
Commerce provides tools, capital and operating funds to local governments, nonprofits, tribes, housing authorities and community action agencies²¹ to provide housing to low-income members of their communities. Commerce administers the Housing Trust Fund (HTF), an essential state investment with a purpose of ensuring that everyone can live in a safe, decent, affordable home. Since 1986, the state has invested more than \$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, the HTF awarded capital funds to organizations to construct an estimated 3,800 low-income housing units throughout the state, more than 1,900 of which will be dedicated to homeless housing. The increased allocation in 2022 for Rapid Capital and HTF may generate another 4,000 shelter beds or affordable homes.

¹⁹ U.S. Census Bureau ACS 1-year, 2019: races are of any ethnicity; races are based on the head of the household.

²⁰ Washington State Department of Commerce, "Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington," <https://deptofcommerce.app.box.com/file/1025372532175?s=zqs8xhdhskn4mvm9tp3a42xmc19slch>

²¹ [List-of-CAPs-in-WA.pdf \(wapartnership.org\)](#)

Figure 3: Appropriations for affordable housing by biennium, 2001-03 through 2021-23



CHIP grants

The Connecting Housing to Infrastructure Program (CHIP), with \$43.6 million in federal and state monies, funds sewer, water or storm water improvements and/or waived system development charges for new affordable housing projects.²² After three rounds of CHIP grants, Commerce has funded 54 projects with \$41 million across 17 counties over the last year, supporting the development of 4,700 units of affordable housing.²³ By covering the costs of connecting new projects to utilities, CHIP expedites the development of new, affordable home ownership and rental housing units that communities across the state desperately need.

Operations and Maintenance Program

To assist in the continued success of the developed affordable housing units, Commerce created the Operation and Maintenance Program, which provides operating assistance to multifamily rental housing projects serving extremely low-income households that are already within the HTF portfolio. The funding comes from the Affordable Housing for All Surcharge created by law in 2002 ([SHB 2060](#)) and named in 2007 (HB 1359), and is a fee charged by the County when recording a legal document.²⁴

²² Washington State Department of Commerce, "Planning for Housing: Housing-Related Grants,"

<https://www.commerce.wa.gov/serving-communities/growth-management/growth-management-topics/planning-for-housing/>

²³ Washington State Department of Commerce, "State infrastructure grants support over 1,000 new units of affordable housing across Washington," <https://www.commerce.wa.gov/uncategorized/state-infrastructure-grants-support-over-1000-new-units-of-affordable-housing-across-washington/>

²⁴ Washington State Department of Commerce, "Operations and Maintenance Program," <https://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/operations-and-maintenance-fund/>

Apple Health & Homes/ Permanent Supportive Housing unit

The newly created Apple Health and Homes/ Permanent Supportive Housing (AHAH/PSH) unit in Commerce has been a pivotal step toward addressing the needs of individuals living with behavioral health conditions, other disabling conditions, and with extremely low incomes. The unit brings the three legs of the PSH "housing stool" together: bricks and mortar, housing vouchers and subsidies, and supportive housing services. The AHAH/PSH unit issued a request for proposals for a pilot program to manage rent assistance subsidies and vouchers totaling \$6 million for individuals with complex health needs enrolled in the Health Care Authority Foundational Community Supports program. These funds will provide rent assistance at a location identified through their housing assessment. In addition, the AHAH/PSH team will generate technical assistance and capacity grants to assist entities, developers, housing providers, and service organizations in connecting services and capital and maximizing their access to housing assistance. The AHAH/PSH unit will work closely with Commerce's Multifamily Housing Unit to issue \$60 million in capital funds.

COVID-19 assistance

Commerce has played a central role in delivering urgently needed aid to support struggling households who are continuing to recover from the COVID-19 pandemic. To date, Commerce has awarded \$1.1 billion for rent assistance administered to approximately 80,000 households, \$3 million for foreclosure assistance funds, and \$3 million to support Dispute Resolution Centers and eviction resolution programs.²⁵ While these investments are significant, they are not enough to meet the growing need for affordable housing statewide. Especially now that the COVID-19 pandemic has highlighted housing instability across the state as well as racial disparities in cost burden, it is time to substantially increase Washington's commitment to affordable housing.

Planning for housing

HB 1220

In 2021, the Washington Legislature changed the way communities are required to plan for housing. [House Bill 1220 \(HB 1220\)](#) amended the Growth Management Act (GMA) to instruct local governments to "plan and accommodate" for housing affordable to all income levels.²⁶ This significantly strengthens the previous goal, which was to encourage affordable housing.

Commerce will provide guidance to communities to meet the new housing goal and updated requirements for housing elements in [RCW 36.70A.070\(2\)](#). This includes:

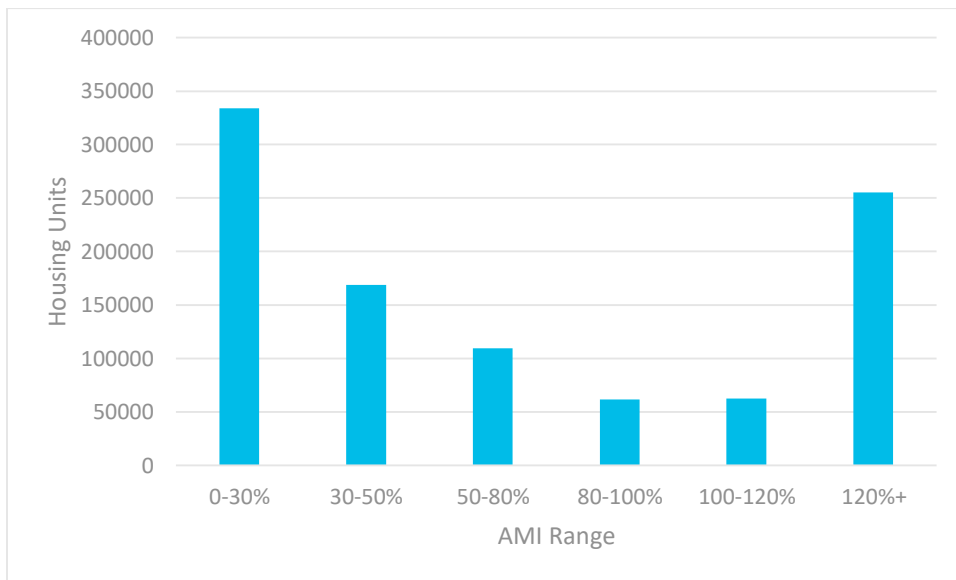
- County-level projected housing needs for all economic segments of the population including projected special housing needs;
- Guidance on provisions for moderate density housing options within an urban growth area;
- Guidance on reviewing for sufficient land capacity for existing and projected needs for all economic segments of the community; and
- Guidance on examining racially disparate impacts, displacement and exclusion in housing policies and regulations, and recommended policies to address them.

²⁵ Washington State Department of Commerce, "Summary of Commerce's COVID-19 Response Efforts," <https://www.commerce.wa.gov/about-us/agency-response-to-covid-19/>

²⁶ Washington State Department of Commerce, "Updating GMA Housing Elements," <https://www.commerce.wa.gov/serving-communities/growth-management/growth-management-topics/planning-for-housing/updating-gma-housing-elements/>

In accordance with this work, Commerce released a Racially Disparate Impacts Guidance document to assist local governments as they integrate new requirements related to racially disparate impacts, displacement, exclusion and displacement risk in housing into their housing element updates. Commerce has also released methodology for projecting future housing needs as well as draft housing need numbers for every county in Washington through the Housing for All Planning Tool (HAPT)²⁷. Preliminary estimates based on a medium population growth projection in the state show Washington would need 991,529 additional units to meet the housing need with a majority of those units (34%) being for extremely low-income households making 0-30% AMI.

Figure 4: Projected housing need in 2044 based on medium population projection



Middle Housing Grant Program

The Middle Housing Grant Program provides funding to cities or regional groups to take actions that will evaluate the authorization of middle housing types on at least 30% of lots zoned for single family at the beginning of the grant. The grants are available to cities within King, Kitsap, Pierce and Snohomish counties and, to date, 25 grants have been awarded.²⁸

Washington State needs a broader diversity of housing types to provide affordable options for renters and homeowners alike. Smaller, missing middle housing types such as attached and detached accessory dwelling units (ADUs and DADUs), duplexes, triplexes, fourplexes, townhomes and cottages can offer more affordable options without changing the character of existing residential neighborhoods. According to the Association of Washington Cities, more than 50% of cities across the state allow mixed single- and multifamily housing in at least 75% of their traditional single-family land base; however, a lack of financing options available to private

²⁷ Final projected housing need numbers are expected in January 2023. Washington State Department of Commerce, "HB 1220 Draft Housing Projections Methodology and Numbers – 30 Day comment period!" <https://www.commerce.wa.gov/uncategorized/draft-projections-hb-1220-30-day-comment/>

²⁸ Washington State Department of Commerce, "Middle Housing Grants Awarded," <https://www.commerce.wa.gov/programs/gms/housing-planning/middle-housing-grants-awarded/>

developers makes it difficult to build missing middle housing types, especially at a price that residents can afford.²⁹

Conclusion

Increasing access to affordable and abundant homes throughout the state will positively affect communities in many ways. Housing can increase a community's economic strength by reducing intergenerational poverty and increasing economic mobility.³⁰ It may increase children's opportunities for educational success by providing a safe, stable, and nurturing environment that fosters learning.³¹ Affordable housing can also lead to positive health outcomes,³² and can help communities protect their environment.³³ It is imperative that Washington continues to provide assistance for households affected by COVID-19, increases funding for affordable housing development and homelessness prevention, makes long-needed investments to promote housing justice and undo racist government policies and business practices that have disproportionately affected Black communities, and remove barriers that make it difficult to build the housing we desperately need. The Affordable Housing Advisory Board is eager to work with the Legislature on the aforementioned issues throughout the coming years.

²⁹ Association of Washington Cities, "City Response to the Housing Crisis," https://wacities.org/docs/default-source/legislative/factsheetcityresponsehousecrisis2022.pdf?sfvrsn=e0ee254f_8

³⁰ National Low Income Housing Coalition, "The Problem," <https://nlihc.org/explore-issues/why-we-care/problem>

³¹ National Housing Conference, "The Impacts of Affordable Housing on Education: A Research Summary," <https://nhc.org/wp-content/uploads/2017/03/The-Impacts-of-Affordable-Housing-on-Education-1.pdf>

³² National housing Conference, "The Impacts of Affordable Housing on Health: A Research Study," <https://nhc.org/wp-content/uploads/2017/03/The-Impacts-of-Affordable-Housing-on-Health-A-Research-Summary.pdf>

³³ Environmental Protection Agency, "Smart Growth and Affordable Housing," <https://www.epa.gov/smartgrowth/smart-growth-and-affordable-housing>

Appendix A: Affordable Housing Advisory Board Members

Name	Title
Paul Trautman	Chair
Susan Boyd	Apartment Management
Norma Hernandez	Association of Washington Cities (Eastern Washington)
Mary Hudson	Association of Washington Cities (Western Washington)
Tanya Mercier	Consumer of Low Income Housing
Gregory Dunfield	For-Profit Housing Developer
Jenifer Van Gerpen	For-Profit Rental Housing Owner
Michone Preston	General Public
Michael Dotson	Home Mortgage Lending
W Sharman	Home Mortgage Lending
Meg Martin	Homeless Shelter Operator
Lowel Krueger	Housing Authorities
Cindy Proctor	Nonprofit Housing Developer
Vijya Patel	Real Estate Sales
Conor Hansen	Residential Construction
Douglas Ito	Residential Construction
Ami Manning	Site-based Permanent Supportive Housing
Vacant	Special Needs Populations
Vacant	Unit Owner Association
LaDon Linde	Washington Association of Counties (Eastern Washington)
Temple Lentz	Washington Association of Counties (Western Washington)
Corina Grigoras	Ex-Officio, Department of Commerce
Theresa Slusher	Ex-Officio, Department of Social and Health Services
Steve Walker	Ex-Officio, Washington State Housing Finance Commission

