

## Economic Equality and Housing Briefing: Answers to Preliminary Briefing Questions

### What is the relationship between property values, land prices, and housing affordability?

The cost of housing, in both rental and ownership markets, has been steadily increasing in Renton and in the region. Over the last five years (2002-2007), the median cost of a single family home in King County increased by \$177,116, or a 63.28% increase.\* Over the past two years, rents in the region have increased by 16.7%. According to the US Bureau of Labor Statistics, rents increased faster in the Seattle area in 2007 than in any other metropolitan area in the nation.

Renton's housing stock tends to be less expensive than many other communities in King County or the Seattle metropolitan area, but costs are still higher than many households can afford. A commonly used standard is that a household should spend no more than 30% of its income on housing costs. Housing costs for renters include rent and utilities. For home owners, housing costs include mortgage costs, property taxes, insurance, and homeowners dues. Average rent (2007) in Renton was \$901 per month, which is affordable to a household making approximately \$40,000 a year. The median price of a single family home in Renton (2007) was \$399,950, which is affordable to a household with an income of \$116,000 per year.

For 2007, Claritas estimated that the median household income for Renton was just above \$50,000. A survey of Renton area jobs shows the following wages and the related housing affordability:

	Annual Wages	Affordable Rent	Affordable home purchase price
Starting Firefighter or Police Officer	\$51,324	\$1,155	\$168,300
Starting Secretary	\$37,416	\$842	\$115,500
Custodian	\$33,912	\$763	\$104,000
Starting Teacher	\$36,905	\$830	\$113,800
Teacher (with a Master's degree and 11 years experience)	\$54,505	\$1,226	\$181,900
Minimum wage employee (at 40 hours per week)	\$16,786	\$378	\$49,300

Housing prices are higher than many households can afford. Housing costs have increased faster than household incomes.

In 2006, Governor Gregoire convened an Affordable Housing Advisory Board Growth Management/Housing Task Force. The purpose of this state task force was to come up with solutions for bridging the affordability gap between the cost of housing and household incomes. Solutions were wide ranging, and included consideration of several factors that influence the cost and availability of housing. Some of those factors included: the availability of state funding for affordable housing, infrastructure, and other community improvements; the rules used to

make funding decisions at the state level; appropriate standards at the local level to encourage the variety of housing that is affordable and high quality; incentive programs for affordable housing at the state and local level; comprehensive planning at the local level; an accurate assessment of buildable land; and regulatory barriers. Clearly, many factors affect the housing affordability gap and the relationship between these factors is complex.

Communities with successful affordable housing programs tend to use public-private partnerships. Public-private partnerships are used extensively to plan, develop, and finance affordable housing. Most affordable housing projects use a variety of funding sources including grants, government sponsored loans, and bank loans for financing because single source funding is difficult to come by. However, this also means that projects must meet all the requirements that the various funding agencies impose. Governmental money often restricts the rents that can be charged, or may target housing in certain locations. Private funding is generally only extended to investments that can demonstrate the ability to provide the lender with financial returns, which is more difficult when rents or purchase prices are limited in affordable projects.

Economies of scale is also an important consideration for affordable housing. Basically, the concept of economies of scale is that a product can be produced most efficiently, and at a lower cost per unit, when a certain quantity of products are made at the same time. Often this is because the materials and labor used to make the product cost less in volume. In terms of housing, economies of scale often rely on density. Land costs are high, but are more manageable if they can be spread over many units. As a result, many affordable housing projects use density and economies of scale to reduce the per unit costs.

The Highlands area tends to be a more affordable area to live in, both in the City of Renton and in the region. Housing has tended to remain affordable because the units tend to be small by today's standards, old, and (in many cases) in poor condition. Much of the housing created during the World War II era was intended to be temporary, and many units are reaching the end of their useful life, especially those that have deferred regular maintenance and upkeep. As a result, although the units may be affordable, many of the units are not high quality.

\*From the Northwest Multiple Listing Service - based on closed median sales prices for July through December of each year.

### **What is affordable housing?**

There are many different ways of defining affordable housing.

- Affordable housing is typically described as housing that does not exceed 30% of a household's gross income. Housing costs include rent or mortgage, tenant paid utilities for renters, taxes and insurance for homeowners.

- The City of Renton defines it as housing where a family with an income less than 80% of the area median income (AMI) pays no more than 30% of that income for housing expenses.
- Housing affordability is a term that refers to the imbalance between incomes and housing costs in an area. A common measurement compares the number of households in a certain income category with the number of units in the market that are affordable at that income level.

The chart below provides additional information on the different categories of affordable housing and the income ranges that may qualify.

	<b>Studio (1 person)</b>	<b>1-Bedroom (2 person)</b>	<b>2-Bedroom (3 person)</b>	<b>3-Bedroom (4 person)</b>
<b>Poverty*</b>				
Household Income	\$9,973	\$12,755	\$15,577	\$19,971
% AMI	18%	20%	22%	26%
<b>Very low income- 30 % AMI</b>				
Household Income	\$16, 539	\$18,696	\$21,033	\$23,370
Rental	\$378	\$420	\$464	\$506
<b>Low Income- 50% AMI</b>				
Household Income	\$27,265	\$31,160	\$35,055	\$38,950
Rental	\$651	\$732	\$814	\$896
Ownership **	\$82,200	\$95,000	\$107,700	\$120,500
<b>Moderate Income- 80% AMI</b>				
Household Income	\$43,624	\$49,856	\$56,088	\$62,320
Rental	\$1,060	\$1,199	\$1,340	\$1,480
Ownership **	\$142,000	\$163,400	\$184,700	\$206,000
<b>Median Income- 100% AMI</b>				
Household Income	\$54,530	\$62,320	\$70,110	\$77,900
Rental	\$1,332	\$1,511	\$1,691	\$1,870
Ownership **	\$182,000	\$209,000	\$236,000	\$263,000

\*Average poverty thresholds for 2006 by size of family. Poverty measure reported by family size and composition. Poverty measure does not vary by area. Source: US Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement.

\*\*Estimate assuming: 10% down payment, 30 yr fixed mortgage at 6%, property taxes at 1.25%, mortgage insurance, homeowner dues, insurance \$120-\$160. An increase in mortgage rate to 7% will increase overall sales price by approximately 8%.

### **What is the difference between secured and non-secured affordable housing?**

The Highlands is a source of affordable housing for the community, with both secured and non-secured units. Secured units are those which are guaranteed to be affordable in the long-term. A variety of different agencies and groups can secure long-term affordability. Perhaps the most recognizable form is public housing, which can be provided by city, county, state, or federal government, or by local housing authorities, such as the Renton Housing Authority. This type of housing is typically built with public money and set aside for low-income families for the lifetime of the housing. Non-profits and community groups also provide

secured affordable housing. Such housing tends to be financed through a combination of public and private funds. In order to receive public funding, the non-profit agrees to keep the housing affordable for a minimum amount of time (commonly 20-50 years). Similarly, when Cities offer incentives to developers to build affordable housing, or require affordable housing as part of their zoning regulations, they typically require the units to remain affordable for a minimum period of time.

Secured units can include housing that is rented and housing that is owned. As rentals are vacated, new tenants are selected from a pool of applicants who meet specified income guidelines. There are several models of keeping owner-occupied housing affordable over the long-term. Often, restrictions are placed upon the resale of the unit that may limit resale price and/or the income of the next buyer. Another model is where a housing trust owns the land that a house sits on, and the purchaser buys just the building. The land is then leased to the owner of the house for very low cost (typically \$1 per year). When the house is sold, the housing trust must also agree to lease the underlying land to the new owner, allowing them to require that certain income guidelines are met.

Non-secured units are those which are currently affordable, but still subject to market changes or fluctuations. Landlords could raise rents at any time, property could be torn down and replaced with new housing at any time, or the next time the property is sold it might be significantly more expensive because the value of the land has increased. Nearly all of the affordable units in the Highlands, with the exception of those owned by the Renton Housing Authority, are non-secured affordable housing. As redevelopment occurs, many non-secured units will likely either be lost to new construction, or they may no longer be affordable as higher rents are charged.

### **What policies does the City of Renton have regarding affordable housing?**

Renton's Comprehensive Plan has an entire chapter (or element) dedicated to policies on housing. In this element there are two goals related to affordable housing:

- Ensure that housing exists for all economic segments of Renton's population
- Ensure that there are housing opportunities for people with special needs, such as seniors, people with chronic disabilities, and the homeless.

Objectives and policies that guide these goals include:

- Encouraging the private sector to provide market rate housing affordable for middle and moderate income households, allowing for a variety of housing types in both new developments and as infill in existing neighborhoods, with opportunities for homeownership.
- Increase affordable housing opportunities for households making less than 50% of the AMI with a goal of 20% of all new units affordable in this category. This shall include new and existing remodeled/upgraded units,

with opportunities for ownership. Housing in this category should be dispersed throughout the City and supported through public-private partnerships.

- Increase the supply of housing for special needs populations by supporting needs of social service organizations, emergency shelters, and the Housing Authority. Support locations for this housing throughout the City that have access to transportation, shopping, services and other facilities that serve these residents.
- Allow the construction of a variety of housing types affordable to low, moderate, and middle income households in high quality neighborhoods.

### **Does the City have any incentive programs for the creation of affordable housing?**

In the zoning code, there are few incentives for the creation of affordable housing. However, the Highlands Task Force on Zoning did add provisions for affordable housing as part of their proposed land use and zoning package, which was adopted by the Council in May 2007. As a result, in the R-14 zone there are two different incentives for the creation of affordable housing. One incentive allows an increase of density to 30 units per acre (from a maximum of 14 units per acre) if at least 50% of the units in the final project are affordable to households with an income of 50% AMI or less. The other incentive allows a project to qualify for the R-14 bonus incentives if it includes a minimum of two units per acre affordable housing (consistent with the City definition). R-14 bonus district incentives include a density maximum of 18 units per acre, and allowable increases in the height, size, and number of units in a building.

Consistent with Comprehensive Plan policies, the City has supported affordable housing by waiving permitting fees, contributing money, leveraging federal grant dollars, issuing voter-approved bonds, and granting land to a variety of organizations that provide affordable housing opportunities. Agencies the City has partnered with include the Renton Housing Authority, Archdiocesan Housing Authority of Seattle, Homesight, DASH (Downtown Action to Save Housing), and the Regional Affordable Housing Program. Projects funded by these initiatives have benefitted seniors, the disabled, families with children, the homeless, victims of domestic violence, and first time homebuyers. Some of the projects have been geared toward low income and others for moderate income buyers.

### **What role does the Renton Housing Authority fill in providing affordable housing for families and seniors?**

The Renton Housing Authority (RHA) provides both housing units and subsidies for rental units to approximately 1,400 households earning less than the median income in Renton. That breaks down to 341 units for seniors, 424 units for family housing, and more than 600 Section-8 housing vouchers.\* RHA programs serve 975 families with children and 400 elderly or disabled households. For more information, please see the materials Dan Sakaue shared with the Task Force on April 16<sup>th</sup>, located behind tab 7.

\*The Section 8 housing voucher program allows residents with low incomes to live in rental housing anywhere in the City. Basically, the landlord charges market-rates for a rental unit and the household pays an affordable rent based on their income. The Section 8 program pays for the difference between the market rate and the amount a household can afford.

### **What are the Housing Authority's development plans?**

Over the next ten years, the RHA plans to redevelop the property that currently supports Sunset Terrace. Due to the age of the property, the Sunset Terrace public housing requires increased maintenance and infrastructural improvements. Before Sunset Terrace can be redeveloped, however, RHA needs to create or secure replacement housing units for the households in the existing Sunset Terrace units.

Housing on the Sunset Terrace site is currently developed at just under 14 units per acre, but the zoning allows up to 80 units per acre on that site. Redevelopment would likely include a mix of both affordable and market-rate units, and at a higher density. RHA has engaged a consultant to assist with these redevelopment plans. Partnership opportunities with the City and the Renton School District are also being explored.

### **Are there any programs to help people to make improvements to their homes when they can't afford it?**

The City and County both have housing repair programs where low and moderate income homeowners can get help with home improvements. For more information on the City of Renton program, including eligibility requirements, call (425)430-6650 or visit the Housing Repair Program page of the City of Renton Website [www.rentonwa.gov](http://www.rentonwa.gov). Similarly, the King County based Housing Repair Program can be contacted at (206)263-9095 or through the King County website [www.metrokc.gov](http://www.metrokc.gov). Additionally, King County has a loan program that helps landlords with repairs to rental properties, if the properties are rented to households with incomes below 50% AMI. Information about the King County Rental Rehabilitation Loan Program can be found on the King County website, or by calling (206)263-9032.

### **What have other communities done to make affordable housing projects work?**

Communities have used a variety of approaches to make affordable housing projects work. City government has a lot of control over local land use regulations, which can substantially determine the feasibility of affordable housing in a community. Creative financing and forming public-private development partnerships has been important to making affordable housing projects work in many communities.

One role for local government is to inventory and identify places where affordable housing is desired and where it can be built. Sometimes this includes assembling land or making publicly owned land available for affordable housing.

Another role for local government is to analyze and remove regulatory barriers that prevent the creation of affordable housing. In addition, government can provide tools and incentives that result in the construction of affordable housing through private enterprise. Some of these tools may include: inclusionary zoning (or requiring affordable housing to be included in development projects), master planning with well-defined implementation for affordable projects, requiring developers to pay into an affordable housing fund, allowing ADUs (accessory dwelling units like carriage houses or “mother-in-law” units), waiving permitting and other fees, or allowing density bonuses.

Financing is often a major hurdle for affordable projects. Local governments have used their financial support or leverage for affordable housing projects to obtain grant funding, secure loans, or obtain tax credits or other benefits. Although, both the public and private sectors develop projects on their own, many successful projects have been built through public-private partnerships. These partnerships aren’t subject to a particular formula; each community and each project utilizes a different type of partnership. Partnerships can involve: City government, federal government, a housing authority (which is a special purpose government), an economic development corporation, a non-profit organization, civic or charity groups, large businesses, or private developers. Some examples of projects accomplished through partnerships are listed on the table below.

Project Name	Location	Description
Hollywood-Bookmark Building	Portland, OR	A private developer redeveloped affordable housing units on top of a refurbished public library.
Fall Creek Place	Indianapolis, IN	City went through a year-long master planning process and provided infrastructure and incentives to rebuild a mixed income inner-city community. Federal grants and private investment financed the project.
Greenleaf Village	West Dallas, TX	Housing Authority partnered with non-profits (including Habitat for Humanity) and private developers to redevelop a contaminated public housing site into a clean, mixed income neighborhood.
Portland Place	Minneapolis, MN	Major corporations, which needed affordable housing for workers, teamed up with non-profits to build affordable single-family homes.

**Information for this report was gathered from:**

*Renton Housing Authority*

*City of Renton Affordable Housing Initiative Memo of March 3, 2008*

*Seattle-King County Association of Realtors 2008 Housing Issues Briefing*

*PSRC Regional Technical Forum, Housing Affordability in the Central Puget  
Sound Region power point*

Urban Land Institute, "Developing Housing for the Workforce Toolkit" 2007