



H O U S I N G
101
E A S T K I N G C O U N T Y

A Regional Coalition for Housing
Updated May, 2011



A Regional Coalition for Housing

Beaux Arts Village Bellevue Bothell Clyde Hill Hunts Point
Issaquah Kenmore Kirkland Medina Mercer Island Newcastle
Redmond Sammamish Woodinville Yarrow Point King County

www.archhousing.org

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A Regional Coalition for Housing

May, 2011

Dear Friend:

In the mid-1990s, communities around East King County came together to address the growing problem of housing affordability. They formed **ARCH**, A Regional Coalition for Housing, and since then have helped create thousands of units of affordable housing for Eastside families.

As our communities grow and change, we adapt our housing strategies accordingly. To ensure that all of us are responding to housing issues from a common understanding of housing needs, history, and possibility, we offer this workbook, **Housing 101: East King County**.

Housing 101 provides an overview of East King County's housing needs and supply, with special attention to our affordable housing goals, strategies, and successes. It includes information on our communities' various demographics and economic indicators related to housing, and on the providers and funding sources that have implemented these strategies. It also includes suggestions for next steps, as our communities respond both to opportunities and increasing need.

We hope that Housing 101 will be a helpful resource for communities throughout the region. We look forward to continuing to work together to make East King County a great place to call home.

Sincerely,

Fred Stouder
City Manager, Kenmore
Chair, ARCH Executive Board

Arthur J. Sullivan
Program Manager
ARCH

ARCH Members

Beaux Arts Village • Bellevue • Bothell • Clyde Hill • Hunts Point • Issaquah • Kenmore • Kirkland • Medina
Mercer Island • Newcastle • Redmond • Sammamish • Woodinville • Yarrow Point • King County

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Housing Need in East King County

To address local housing needs, we must first understand the needs of our communities' residents. This section examines two aspects of housing need:

- The affordability of housing relative to household income.
- The types of housing needed based on local demographics.



HOUSING AFFORDABILITY

Housing is defined as **affordable**¹ if its occupants pay **no more than 30 percent of their income** for rent and utilities or for mortgage, taxes, and insurance.

According to the U.S. Department of Housing & Urban Development (HUD, 2007), households who pay more than 30 percent of their income for housing are considered **cost-burdened**. Households who pay more than 50 percent of their income for housing are considered **severely cost-burdened**, and may have trouble affording basic necessities such as food, clothing, transportation, and medical care.

Based on a recent study of East King County, nearly 54,000 households (34 percent) are cost-burdened; i.e., paying more than 30 percent of their incomes for housing. Nearly 22,000 of these households pay more than half their income for housing, making them severely cost-burdened (ARCH 2011).

Most cost-burdened households fall into three categories:²

- **Moderate-income households**, who earn 50 to 80 percent of **median income**, and who are typically able to rent without cost burden, but have difficulty buying a home or condominium.
- **Low-income households**, who earn up to 50 percent of median income, and who often have difficulty finding an apartment they can afford.

¹ Underlined words are defined in the Glossary, which is located in the Appendix on page A-2.

² These are the income definitions used by local cities as they plan under the Growth Management Act.

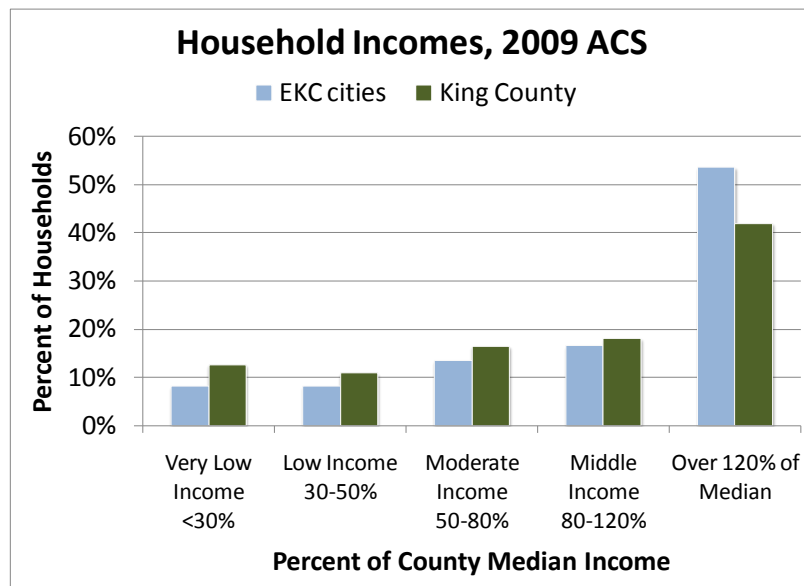
- **Very low-income households**, who earn 30 percent of median income or less, may be severely cost-burdened, and may be homeless or at risk of homelessness due to the gap between their income and housing costs.

Information about these households, their income levels, and the amount they can afford to pay for housing is summarized in Figure 2 on the next page. Exhibit 1 in the Appendix illustrates the salaries of different jobs relative to the median income and shows that people in many jobs, including bank tellers, nurses, medical assistants, retail clerks, teachers, office administrators, and police officers receive low and moderate income wages.

Eastside household incomes. In general, household incomes are higher in East King County than in the county as a whole. Still, as Figure 1 shows, over 30 percent of Eastside households have low or moderate incomes.

Job growth is high in lower-wage jobs. The Workforce Development Council of Seattle-King County (2007) reports that industries representing the three highest number of job vacancies include retail, healthcare and professional/ technical. The report also notes that while some of the jobs on the Top 25 Jobs list provide good wages, more than 50 percent of vacancies pay a median wage of \$15 per hour or less.

Figure 1



Source: U.S. Census Bureau (2011)

Figure 2: 2010 King County Income and Affordability Guidelines

	Studio (1 Person)	1-Bedroom (2 People)	2-Bedroom (3 People)	3-Bedroom (4 People)
POVERTY				
Average poverty thresholds for 2010 by size of family*				
Household Income	\$10,830	\$14,570	\$18,310	\$22,050
% of County Median Income	18%	21%	24%	26%
VERY LOW INCOME: 30% of Median Income				
Household Income	\$17,976	\$20,544	\$23,112	\$25,680
Max. Affordable Rent	\$412	\$458	\$504	\$549
LOW INCOME: 50% of Median Income				
Household Income	\$29,960	\$34,240	\$38,520	\$42,800
Max. Affordable Rent	\$712	\$800	\$889	\$977
Max. Affordable Purchase	\$94,150	\$107,000	\$119,900	\$132,800
MODERATE INCOME: 80% of Median Income				
Household Income	\$47,936	\$54,784	\$61,632	\$68,480
Max. Affordable Rent	\$1,161	\$1,314	\$1,467	\$1,619
Max. Affordable Purchase	\$164,700	\$187,800	\$210,700	\$233,700
MEDIAN INCOME				
Household Income	\$59,920	\$68,480	\$77,040	\$85,600
Max. Affordable Rent	\$1,461	\$1,656	\$1,852	\$2,047
Max. Affordable Purchase	\$211,800	\$241,500	\$271,200	\$300,900

* Source: U.S. HHS (2010).

King County Median Family Income: \$85,600. Source: U.S. HUD (2010).

Rents are net of deducting for a utility allowance.

Sales price estimates assume:

- 10% down payment.
- 30-year fixed-rate mortgage at 5.25%.
- Property taxes at 1%.
- Mortgage insurance, homeowner insurance, and homeowner association dues \$150–\$225.

Moderate and Median Income Households

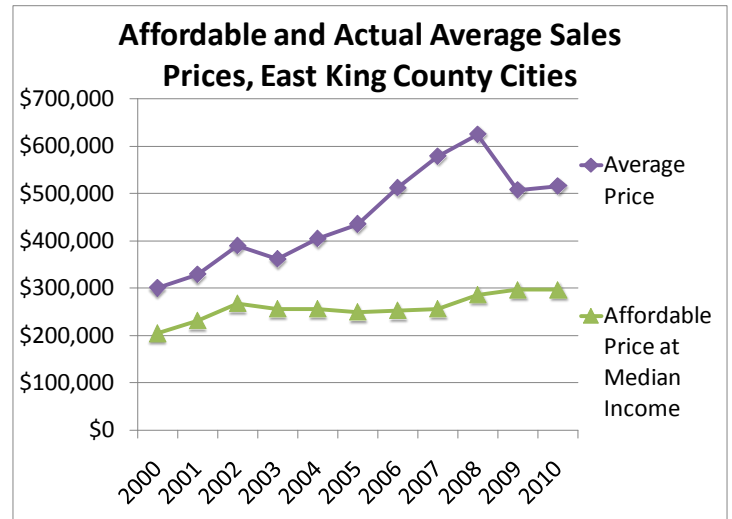
As Figure 2 on the previous page shows, a median income family of four can afford to pay approximately **\$300,000** for a home. A moderate-income family of four can afford to pay **\$233,700** for a home.

However, the combined average price for homes and condominiums in the first quarter 2010 in East King County was approximately **\$515,000**. This is down almost 20 percent from a peak average price in early 2008. Although reduced prices are helping the overall affordability of homes, current prices are still an increase of 40 percent since 2003 and 100 percent since 1999 (Central Puget Sound Real Estate Research Committee). There is a gap between current prices of homes and condominiums and what moderate and median income families can afford, making homeownership still difficult (Figure 3).

- The average price for **single-family homes** on the Eastside is approximately \$600,000; almost double what a median income household can afford, and triple what a moderate-income family can afford.
- The average price for Eastside **condominiums** is about \$315,000; close to an “affordable” price for a median income family, and nearly \$80,000 over the affordable price for a moderate-income family.

These households may choose to buy a very small condo and hope to “earn up” by gaining equity; they may choose a long commute, moving far enough out to find lower housing prices; or they may leave the area entirely, choosing to resettle somewhere with lower home prices.

Figure 3



Source: Central Puget Sound Real Estate Research Committee.

Moderate-income housing needs



Jake and Sheryl and their two boys hope to buy a home on the Eastside. He's a firefighter, she's a part-time instructional aide, and together they **earn \$75,000 a year**.

Even with fully-paid medical insurance, no student loans, a relatively small car payment of \$250 a month, and \$35,000 in savings for a down payment, Jake and Sheryl still **earn \$20,000 too little** to qualify to buy the average Eastside condo... and they earn \$100,000 too little to qualify to buy a single-family home on the Eastside.

Low-income Households

Low-income housing needs



Ella, a bank teller, earns \$30,000 a year. She can afford to **pay \$750 in rent** for an apartment for herself and her son.

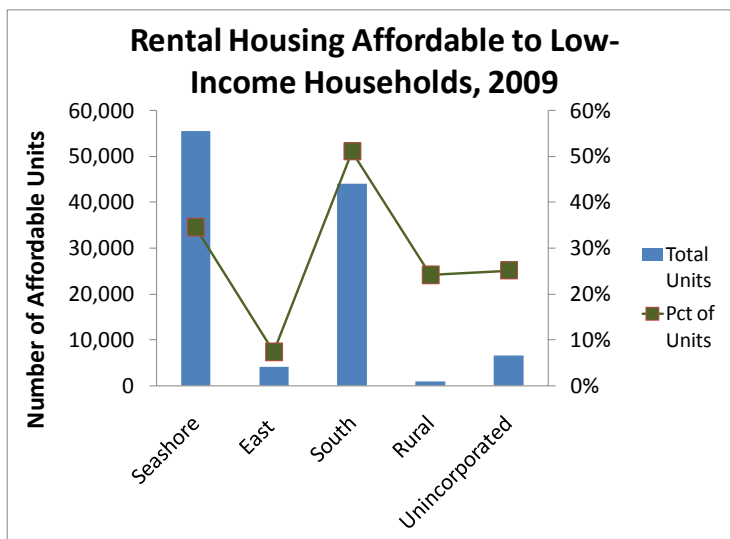
The rent she can afford, however, is significantly lower than the rent for the average Eastside apartment, leaving Ella the choice of trying to find a smaller, less expensive apartment or paying more for housing – and risking not having enough money for food, clothing, transportation, and child care.

Low-income households—those who earn up to 50 percent of median income—can afford between **\$710 a month** in rent (for a one-person household) to **\$975 a month** (for a four-person household).

This compares to average Eastside rents that range from **\$960 to over \$1,400** a month. (See Exhibit 2 in the Appendix for detailed rent and vacancy information for Eastside cities; Central Puget Sound Real Estate Research Committee.)

As a result, many low-income households pay more than 30 percent of their income for housing. According to the 2009 American Community Survey, the percentage of households making \$10,000 to \$50,000 a year who pay too much of their incomes for housing is higher on the Eastside than the rest of King County.

Figure 4



Source: King County Consortium Consolidated Plan (2009).

Figure 4 illustrates this point, showing that while East King County cities have approximately 4,500 rental housing units affordable to low-income households, they have, in total, the **lowest percentage** of affordable rental units in the county, with less than 10 percent of the total rental housing stock affordable to low-income households.

Very low-income households

Very low-income households—those who earn up to 30 percent of median income—can afford between **\$410 a month** in rent (for a one-person household) to **\$550 a month** (for a four-person household).

The discrepancy between average rent costs and what very low-income households can afford means that many may double-up on housing or pay a very high percentage of their income for housing costs. When people pay that much of their income for housing, a personal crisis, such as an illness or job loss, can leave them at risk of homelessness.

Many very low-income people also need supportive services in addition to affordable housing, and may need to find help to transition out of homelessness, address substance abuse, or learn job skills.

As Figure 5 shows, people of all income levels have been affected by Eastside housing prices over the last decade.

- While rents have seen some periods of relatively high increases, over the last decade the overall increase in average rents has been similar to the increase in median income. However average rents in East King County are typically higher than countywide average rents (see Exhibit 2, page A-6).
- Condominium conversions in the mid-2000s removed relatively affordable rental housing from the overall housing supply.³
- Even with the decrease in average home prices over the last two years, over the past decade, prices have increased 100 percent, significantly more than the increase in median income, and putting homeownership out of reach for an increasing number of households.

³ The average rent for Redmond is used as a proxy for Eastside rents.

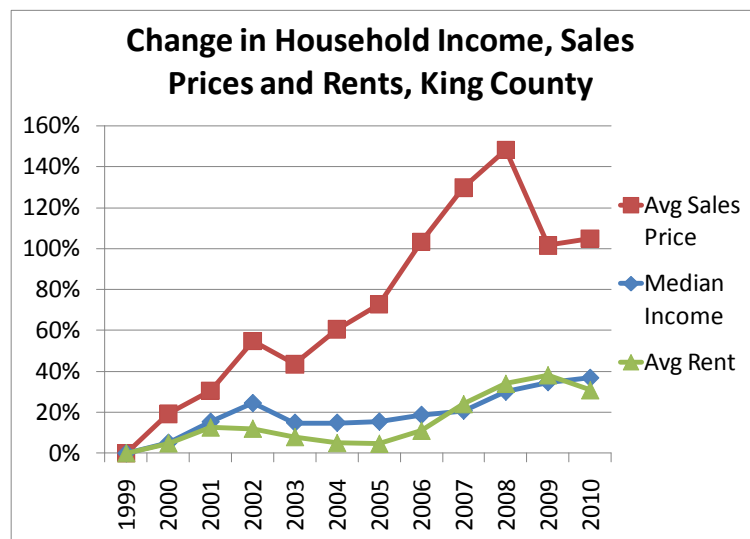
Very low-income housing needs



Dale, a retired construction worker, lives on a fixed income of \$15,000 a year. He can afford **\$400 a month in rent**, less than forty percent of the average Eastside rent for one bedroom units.

Dale may be able to lower his housing costs by finding a roommate, an inexpensive studio apartment, or a subsidized unit. If he can't find affordable housing, however, Dale could become so cost-burdened that he is at risk of homelessness.

Figure 5



Sources: Central Puget Sound Real Estate Research Reports, U.S. Census Bureau (2002, 2010).

Homelessness

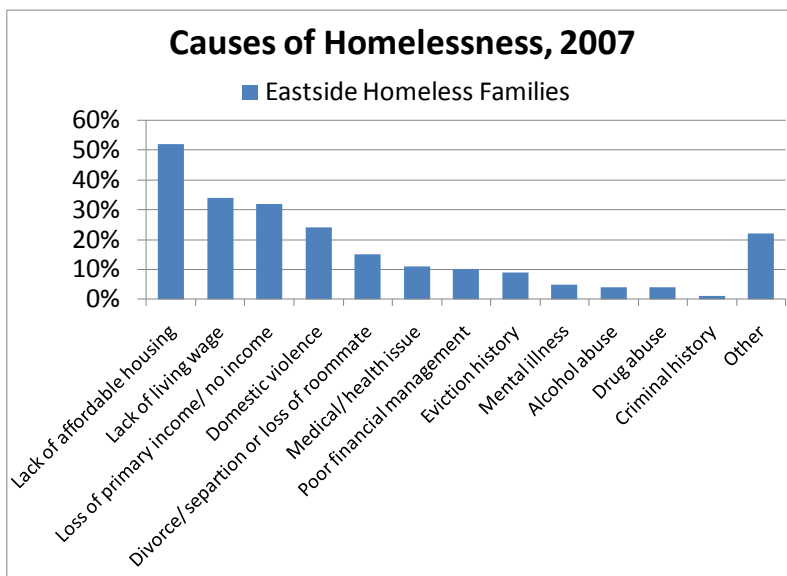
Every year at the end of January, a one-day count of homeless (on the streets and in shelters) in King County is organized by the Seattle King County Coalition on Homelessness (SKCCH). The 2011 street count was 2,442 unsheltered persons (146 on the Eastside), down about 8 percent for the county from the previous year, and essentially unchanged for East King County (SKCCH 2010). In addition, in the 2010 count about 6,100 homeless persons in King County were in shelters or transitional living on that night (SKCCH 2011). Historically about 60 percent of homeless are single adults (King County 2006). Approximately 17 percent of these homeless single adults are from the Eastside (Clegg & Associates 2007).

The gap between wages and housing prices is the primary reason people on the Eastside become homeless; more than half of all families who are homeless (52 percent) lost their home because of high housing prices; another third (34 percent) became homeless because of lack of a living wage (Clegg & Associates, 2007). These households need safe and affordable housing to regain stability.

But other people become homeless because they have special needs, including disabilities, mental illness, or substance abuse problems, or because they are fleeing domestic violence. These people need supportive services, such as counseling or job training, in addition to affordable housing, to become stable and self-sufficient.

Many public and community organizations in King County have joined

Figure 6



Source: East King County Plan to End Homelessness (2007).

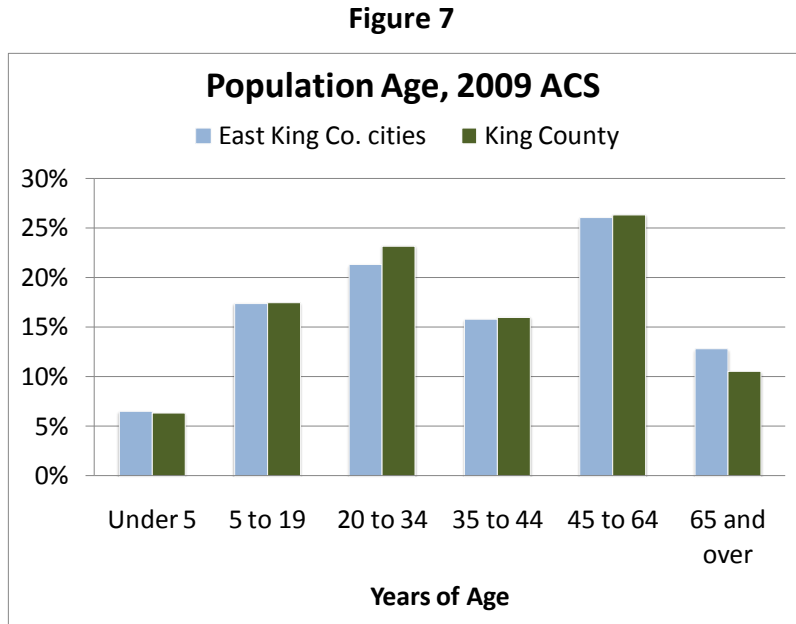
together through the **Committee to End Homelessness (CEH)** to develop a coordinated response to homelessness in King County. As an extension of the Countywide Plan to End Homelessness, the Eastside Human Services Forum, and Eastside Homeless Advisory Committee prepared *The East King County Plan to End Homelessness* that estimates a need by 2016 for **815 new units for homeless single adults, 930 units for homeless families and 96 units for homeless youth and young adults.**

DEMOGRAPHIC TRENDS

Housing needs in East King County are also driven by the region's changing demographics.

Household types. Small, one- and two-person households make up over 55 percent of East King County households. (See Exhibit 3 in the Appendix.) Families with children make up approximately 25 percent of all households.

Population Age. After a period of aging population, age distribution has been relatively stable since 2000. Figure 7 and Exhibit 4 (in the Appendix) illustrate this trend.



Source: U.S. Census Bureau (2010).

- **Growing senior population.** From 1990 to 2000, the Eastside saw an increase in residents aged 65 or older (from 10 percent to 13 percent of the population); but the size of this age group (relative to others) has remained stable from 2000 to 2009. By 2025, it is expected that residents 60 years or older will make up nearly a quarter of the Eastside's population, nearly double the rate in 2000 (Area Agency on Aging & Disability Services 2003).
- **Large growth in residents over age 75.** Most of the proportional increase in the population over age 65 between 1990 and 2000 was attributed to seniors over age 75. This balance has been maintained since 2000.
- **By 2025, the number of seniors in King County will double,** representing 23 percent of King County's total population. The number of seniors living in poverty will more than double (KCHA and Seattle 2009).
- **Needs for additional affordable housing.** Based on growth projections, over 900 subsidized units will need to be created annually until 2025 just to maintain the current ratio of affordable housing to lower-income seniors (KCHA and Seattle 2009).

- **The future needs of seniors will differ in some respects from today's seniors.** The baby boom generation is less likely than prior generations to derive its retirement income from secure lifetime sources such as pensions or annuities. Seniors are expected to live longer and spend more years with limited mobility and supportive services needs.
- **Working Households.** The age distribution among the working-age population has also been relatively stable since 2000. The only age group with a proportional increase was those aged 20 to 35, reversing a trend from the previous ten years.

Population Diversity. As Exhibits 5 and 6 in the Appendix show, the percentage of non-white households on the Eastside increased from 10 percent to almost 19 percent of the population between 1990 and 2000, and grew over an additional 10 percent to over 30 percent in 2010. Similarly, the percentage of foreign-born residents has significantly increased with 23 percent of the population in East King County being foreign born, which exceeds the countywide figure of 19 percent (Mayo and Eskenazi 2002).

Foreclosures: An Eastside Perspective

Nationally, foreclosure rates have increased significantly over the past two years. ARCH has started compiling policy and statistical information on the issue of foreclosure in East King County. Some of the information reported includes:

- **Foreclosure rate information for East King County.** In East King County at the end of March 2011, 138 properties were listed in foreclosure, compared to a one-year average of 204 homes, and a three-year average of 168. At the same time, there were 19 homes listed in pre-foreclosure, which was the average for the past year, but significantly below the three-year average of 264. The number of homes listed in pre-foreclosure dropped significantly around April of 2010 after a two-day National HopeNow foreclosure prevention workshop hosted in Bellevue; most major banks sent workout officers. Eastside attendance at the workshop was 126 households the first day, 55 the second. (Foreclosure rate information is updated regularly on the ARCH website, www.archhousing.org.)
- **In East King County, foreclosure rates are generally at or below the median point for the state and King County.** The highest rates for the state are in Pierce and Snohomish counties.

- **Washington foreclosure rates relative to other parts of the country.** In February 2009, Washington state ranked 24th in terms of foreclosures, well behind Nevada, Arizona, California, Florida, Ohio and Michigan. By July 2009, Washington ranked 13th in the nation.
- **The reasons why households are going into foreclosure are changing.** In the initial period of increased foreclosures several years ago, they were frequently a result of people entering into loans they could not afford at their income level. In the past year or so, there has been a shift to also include foreclosures resulting from a loss of income due to job loss or resulting from medical issues.
- **There are several federal responses** to the increased rate of foreclosures. For homeowners there has been the “Making Home Affordable Program” to help facilitate loan modifications for those with mortgages insured through FHA. Other information to help households facing foreclosure to connect with available resources is available on the ARCH website.

Housing Supply

Before taking action on housing need, it is helpful to understand the Eastside’s housing supply—both in terms of housing in general and then, more specifically, “affordable” housing that is affordable to households earning 80 percent of median income or less.



Lionsgate, Redmond

This section provides a brief discussion of housing supply in East King County, as well as how that relates to the regulatory framework that guides local communities planning for housing development. It also describes how ARCH assists member jurisdictions in their efforts to address local housing needs:

WASHINGTON GROWTH MANAGEMENT ACT

The state’s **Growth Management Act (GMA)** was adopted because of legislators’ concerns that uncoordinated and unplanned growth could pose a threat to the environment, sustainable economic development, and quality of life. The GMA was adopted by the Legislature in 1990. It lays out the framework for counties and cities to plan for growth, stating:

Counties and cities shall ensure that, taken collectively, adoption of and amendments to their comprehensive plans and/or development regulations provide sufficient capacity of land suitable for development within their jurisdictions to accommodate their allocated housing and employment growth, as adopted in the applicable countywide planning policies and consistent with the twenty-year population forecast from the Office of Financial Management. (RCW 36.70A.115)

Two sections of the GMA establish a responsibility for local government to address local housing needs. As one of its goals, the GMA:

Encourages the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock. (RCW 36.70A.020)

The GMA also requires each jurisdiction's comprehensive plan to include a **housing element** to ensure the vitality and character of established residential neighborhoods. The housing element must:

*(a) Include an inventory and analysis of **existing and projected housing needs** that identifies the number of housing units necessary to manage projected growth;*



Greenbrier Apartments, DASH/SRI/CamWest, Woodinville

(b) Include a statement of goals, policies, objectives, and mandatory provisions for the preservation, improvement, and development of housing, including single-family residences;

*(c) Identify **sufficient land for housing**, including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multi-family housing, and group homes and foster care facilities; and*

*(d) Make **adequate provisions for existing and projected needs** of all economic segments of the community (RCW 36.70A.070).*

The GMA established **Growth Management Hearings Boards**, which help implement the GMA by hearing allegations that an individual government entity is not complying with GMA requirements.

COUNTYWIDE PLANNING POLICIES

The GMA requires that each county establish **countywide planning policies** (CPPs) that implement the intent of the GMA and that serve as a framework for each local jurisdiction's comprehensive plan.

Each jurisdiction's comprehensive plan must be consistent with its county's CPPs. In King County, countywide planning is coordinated by the **Growth Management Planning Council (GMPC)**, which consists of elected officials from governments around the county.

For GMPC’s Countywide Planning Policies to be adopted, they must be ratified by governing bodies of a minimum of 30 percent of jurisdictions having a collective population of at least 70 percent of the county’s population. King County’s CPPs were ratified by local cities in 1994.

CPP HOUSING PRODUCTION POLICIES



According to CPP FW-12(a), all jurisdictions within the county agreed to share the responsibility to accommodate the 20-year population projection and job forecast (as allocated to four sub-areas, of which East King County is one). The population allocation to each sub-area must be proportionate with their share of projected employment growth (King County, 2007). Figure 8 shows East King County’s current targets.

Figure 8: East King County 2006-2031 Total Housing and Employment Targets

Jurisdiction	Housing Units	Employees
Beaux Arts Village	3	3
Bellevue	17,000	53,000
Bothell (King Co. part)	3,000	4,800
Clyde Hill	10	0
Hunts Point	1	0
Issaquah	5,750	20,000
Kenmore	3,500	3,000
Kirkland	7,200	20,200
Medina	19	0
Mercer Island	2,000	1,000
Newcastle	1,200	735
Redmond	10,200	23,000
Sammamish	4,000	1,800
Woodinville	3,000	5,000
Yarrow Point	14	0
Uninc. East King Co.	3,750	850
East King Co. total	60,647	133,388

Source: King County, Countywide Planning Policies Public Review Draft (2011).

EAST KING COUNTY HOUSING PRODUCTION

As Figure 9 shows, Eastside cities have **met their housing planning targets** to date. With the updated housing targets, the annual housing planning goal for Eastside cities is now just over 2,200 units. Even with the reduced new construction activity of the last few years, annual production has averaged over 2,600 units since 2001.



Figure 9: Permit Activity Compared to Total Housing Targets

Jurisdiction	Housing Targets				Units Permitted		
	1992-2012	2001-2022		2006-2031	1992-2009	2001-2009	
	Annual Average	Total **	Annual Average	Annual Average	Annual Average	Total	Annual Average
Beaux Arts	0.0	3	0.2	0.1	0.6	6	0.7
Bellevue	436	10,117	506	680	735	6,223	691
Bothell (KC Part)	98	1,751	88	120	143	852	95
Clyde Hill	1	21	1	0.4	9	115	13
Hunts Point	0.2	1	0.1	0.0	2	16	2
Issaquah	169	3,993	200	230	342	4,129	459
Kenmore	54	2,325	116	140	133	1,199	133
Kirkland	292	5,480	274	288	363	3,168	352
Medina	1	31	2	0.8	11	91	10
Mercer Island	56	1,437	72	80	94	1,061	118
Newcastle	42	863	43	48	80	765	85
Redmond	581	9,083	454	408	411	4,133	459
Sammamish	n/a	3,842	192	160	339	2,623	291
Woodinville	90	1,869	93	120	86	628	70
Yarrow Point	1	28	1	1	4	33	4
EKC Cities	1,820	40,844	2,042	2,276	2,680	25,042	2,782
Seattle	2,687	51,510	2,576	3,440	3,661	33,945	3,772
Uninc. King Co.	1,675	13,405	670	634	2,849	17,458	1,940
King County Total	9,859	152,332	7,617	9,323	11,838	100,001	11,111

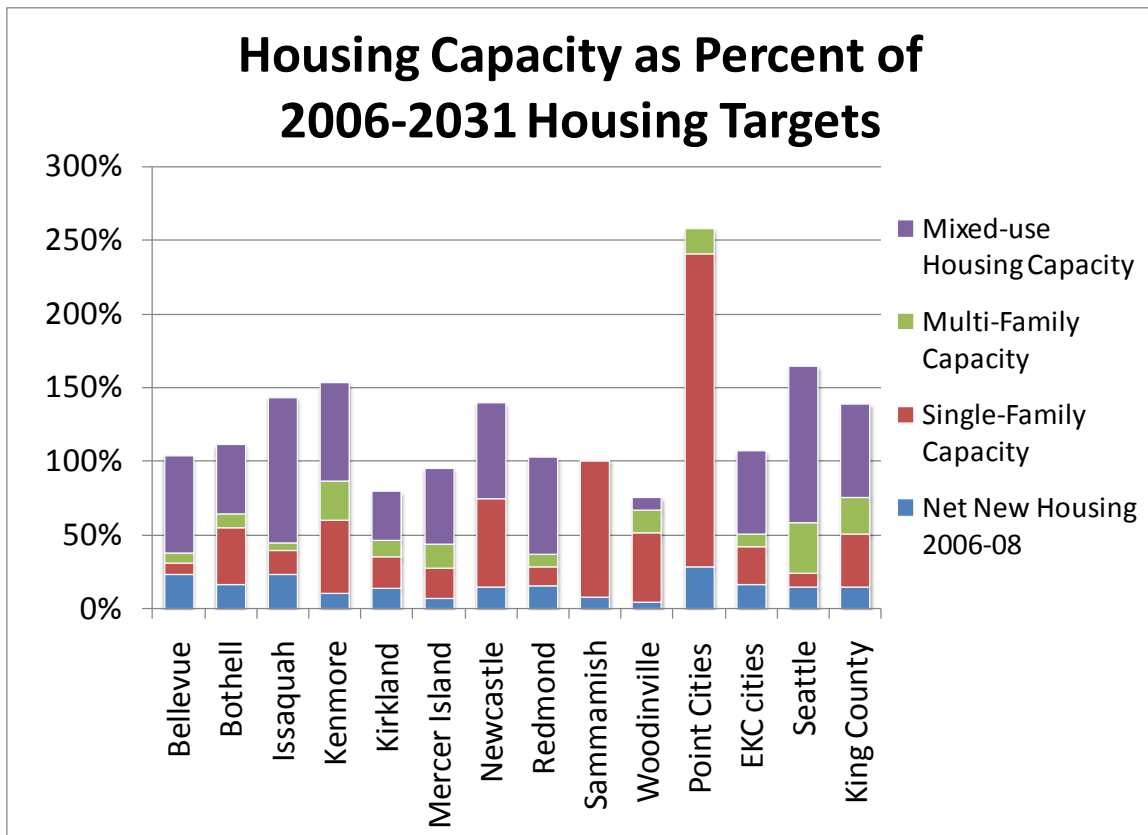
** King County, adopted growth targets.

Source: ARCH

As Figure 10 shows, Eastside cities have the **land capacity** to continue to meet the 2006–2031 housing production targets. (*Note that a bar under 100 percent means a city’s capacity is less than its target.*) The chart highlights several key points:

- **Capacity relative to targets.** When including potential housing development in mixed-use zones, all Eastside cities have capacity to achieve their 2031 housing targets.
- **More capacity remains for multi-family housing.** For almost all Eastside cities, much of the remaining residential capacity is for multi-family housing in either multi-family or mixed-use zones.
- **A high proportion of multi-family housing is located in mixed-use zones.** The 2007 Buildable Land report update indicates that over 50 percent of overall residential capacity and 80 percent of multi-family capacity in East King County is in mixed-use zones (King County 2007b).

Figure 10



Source: ARCH, King County (2007b).

Housing Demand from Employment. The Eastside has a greater demand for housing resulting from employment than there is housing available. Based on employment and housing targets, that trend will likely become more pronounced. Exhibits 7 and 8 (in the Appendix) show the historic and projected future balance of employment and housing for different cities within East King County. These figures show that:

- Thirty years ago, the Eastside was a “bedroom community,” in the sense that the supply of housing far exceeded the demand resulting from local employment.
- Over the last 30 years, there has been a steady increase in the demand for housing resulting from local employment. By 1990, for the combined Eastside market, the jobs-housing ratio reached 1.0 (equality). From 1990 to 2000, the Eastside jobs-housing ratio has continued to rise to 1.25, meaning demand is above supply.
- Based on 2031 employment and housing targets for Eastside cities, the jobs-housing ratio could continue to increase (Exhibit 8).

COUNTYWIDE AFFORDABLE HOUSING POLICIES

In addition to setting goals for employment and housing production, the Countywide Planning Policies also set **affordable housing goals** for each jurisdiction in King County. Affordable housing was recognized as key to provide housing opportunities for all workers and residents, reduce traffic congestion, and ensure vibrant, healthy communities.

The Introduction to the Affordable Housing CPPs states that affordable housing needs must be addressed by local governments working in cooperation with the private sector and non-profit housing agencies. The CPPs note that providing sufficient land zoned for housing development is an essential step in promoting affordable housing.



Arbor House, Friends of Youth, Bothell

The framework affordable housing policy states:



Lakeview Commons, Kirkland

FW-28: All jurisdictions shall provide for a diversity of housing types to meet a variety of needs and provide for housing opportunities for all economic segments of the population. All jurisdictions shall cooperatively establish a process to ensure an equitable and rational distribution of low-income and affordable housing throughout the county in accordance with land use policies, transportation, and employment locations.

This framework is elaborated in several more detailed policies, which are printed in the Appendix on page A-24. Key topics include:

- **Local future affordability goals.** Each jurisdiction will establish housing goals for low and moderate-income households based on projected overall housing growth.
- **Countywide efforts.** Each jurisdiction will participate in developing countywide housing resources and programs to assist low and moderate-income households who currently do not have appropriate, affordable housing.
- **Local housing policies.** Each jurisdiction's Comprehensive Plan should show how it will provide its share of affordable housing. Each jurisdiction should apply strategies appropriate to the local housing market. A number of examples are provided in the CPPs.
- **Existing affordable housing.** Each jurisdiction will evaluate existing resources of subsidized and low-cost, non-subsidized housing, and identify housing that may be lost due to redevelopment, deteriorating housing conditions, or public policies or actions. Where feasible, each jurisdiction shall develop strategies to **preserve existing low-income housing** and provide relocation assistance to displaced low-income tenants.
- **Monitoring.** All jurisdictions shall monitor residential development.
- **GMPC action.** If the GMPC determines that housing for any economic segment falls short of need, it may recommend additional actions.

AFFORDABLE HOUSING TARGETS

The GMPC established affordable housing goals for each jurisdiction. Each Eastside city's goal is to create housing equal to 24 percent of local growth that is affordable to low-income households and 17 percent of local growth affordable to moderate-income households.

Figure 11 shows local cities' provision of affordable housing from 1993 through 2008. **Eastside cities cumulatively have managed to almost meet the combined moderate-income goal, but have met less than thirty percent of the combined low-income goal.** It shows that results for individual cities vary significantly. Figure 13 on page 24 shows that moderate-income housing has been created through a combination of direct assistance, regulatory incentives, and the private market. However, in recent years less moderate-income housing has been created through the private market. It should be noted that many of the privately produced moderate price homes are smaller rental units affordable at over 60 percent of median income with few being ownership homes. Low-income units created locally have almost always required direct public assistance.

Figure 11: Progress toward Affordable Housing Targets, 1993–2008

	Low-Income Housing (Incomes <50% of Median)			Moderate-Income Housing (Incomes 50-80% of Median)		
	Target			Target		
	Annual Average	Actual Average	Actual Total	Annual Average	Actual Average	Actual Total
Beaux Arts	0	0	0	0	1	0
Bellevue	110	54	872	78	107	1,713
Bothell	19	6	90	13	51	708
Clyde Hill	0.2	0.2	2.1	0.2	0.3	4.0
Hunts Point	0.0	0.0	0.3	0.0	0.0	0.0
Issaquah	44	11	181	31	17	268
Kenmore	25	11	112	18	16	158
Kirkland	60	13	200	42	25	399
Medina	0.3	0.2	2.1	0.2	0.1	1.2
Mercer Island	16	4	59	11	14	214
Newcastle	9	2	20	7	1	11
Redmond	99	18	288	70	51	811
Sammamish	42	1	6	30	0	0
Woodinville	20	5	71	14	13	187
Yarrow Point	0.3	0.0	0.3	0.2	0.0	0.0
TOTAL	445	127	1,904	315	296	4,474
Pct of Annual Avg		28%			94%	

A REGIONAL COALITION FOR HOUSING

ARCH (A Regional Coalition for Housing) is an interlocal agency formed from a partnership of 15 East King County cities and King County



Chalet Apartments, St. Andrew's Housing, Bellevue

that work together to help preserve existing affordable housing and develop new housing opportunities for low and moderate-income families.

ARCH was formed in 1993 by three cities and King County, and has since grown to include all 15 cities in East King County and King County. ARCH's Work Program and Budget are developed by the ARCH Executive Board, which is composed of local city managers and elected mayors; and then approved by member Councils.

It takes many players to create affordable housing, including local government, private and community-based developers, and public and private funders. ARCH doesn't expand the role of local government, but rather helps local governments be more effective in their traditional housing roles:

- Developing housing policies and regulations;
- Providing financial assistance through loans and/or grants to groups that develop affordable housing;
- Implementing and managing housing programs; and
- Educating the community on housing issues and helping people find homes.

One of the signature features of this coalition of communities is the ARCH Housing Trust Fund, which has been funded through local jurisdictions. Member jurisdictions have provided more than \$34.2 million in loans, grants, donated land, and/or fee waivers to build or preserve almost 2,580 affordable units in East King County. Figure 12 lists the projects created with the ARCH Housing Trust Fund.

Figure 12: ARCH Housing Trust Fund Projects, 1993-2009

FAMILY HOUSING

Project	Location	Owner	Units/ Beds	Funding
Andrews Heights Apartments	Bellevue	Imagine Housing	24	\$400,000
Garden Grove Apartments	Bellevue	DASH	18	\$180,000
Overlake Townhomes	Bellevue	Habitat of EKC	10	\$120,000
Glendale Apartments	Bellevue	DASH	82	\$300,000
Wildwood Apartments	Bellevue	DASH	36	\$270,000
Somerset Gardents (Kona)	Bellevue	KC Housing Authority	198	\$700,000
Pacific Inn	Bellevue	Pacific Inn Assoc. *	118	\$600,000
Eastwood Square	Bellevue	Park Villa LLC	48	\$600,000
Chalet Apts	Bellevue	Imagine Housing	14	\$163,333
St Margarets	Bellevue	Imagine Housing	10	\$387,500
YWCA Family Apartments	K.C. (Bellevue Sphere)	YWCA	12	\$100,000
Highland Gardens (Klahanie)	K.C. (Issaquah Sphere)	Imagine Housing	54	\$291,281
Crestline Apartments	K.C. (Kirkland Sphere)	Shelter Resources	22	\$195,000
Parkway Apartments	Redmond	KC Housing Authority	41	\$100,000
Habitat - Patterson	Redmond	Habitat of EKC	24	\$446,629
Avon Villa Mobile Home Park	Redmond	MHCP **	93	\$525,000
Terrace Hills	Redmond	Imagine Housing	18	\$442,000
Village at Overlake Station	Redmond	KC Housing Authority **	308	\$1,645,375
Summerwood	Redmond	DASH	166	\$1,198,034
Coal Creek Terrace	Newcastle	Habitat of EKC	12	\$240,837
RoseCrest (Talus)	Issaquah	Imagine Housing	40	\$918,846
Mine Hill	Issaquah	Imagine Housing	28	\$450,000
Clark Street	Issaquah	Imagine Housing	30	\$355,000
Lauren Heights (Iss Highlands)	Issaquah	Imagine Housing/SRI **	45	\$657,343
Habitat Issaquah Highlands	Issaquah	Habitat of EKC **	10	\$200,000
Issaquah Family Village I	Issaquah	YWCA **	87	\$4,382,584
Issaquah Family Village II	Issaquah	YWCA	47	\$2,760,000
Greenbrier Family Apts	Woodinville	DASH **	50	\$286,892
Plum Court	Kirkland	DASH	61	\$1,000,000
Francis Place	Kirkland	Imagine Housing	15	\$375,000
Kenmore Court	Kenmore	LIHI **	33	\$452,321
Homeowner Downpayment Loan	Various	KC/WSHFC/ARCH	87	\$615,000
SUB-TOTAL FAMILY HOUSING			1,841	\$21,357,975
			Percent of Total Funds Allocated	62.8%
			Long Term Distribution Goal	56.0%

* Funded through Bellevue Downtown Program

** Also includes in-kind contributions (e.g., land, fee waivers, infrastructure improvements).

Figure 12: ARCH Housing Trust Fund Projects, 1993–2009, Continued

SENIOR HOUSING

Project	Location	Owner	# Units/ Beds	Funding
Cambridge Court	Bellevue	Resurrection Housing	20	\$160,000
Ashwood Court	Bellevue	DASH/Shelter Resources *	50	\$1,070,000
Evergreen Court (Assisted Living)	Bellevue	DASH/Shelter Resources	64	\$1,280,000
Vasa Creek	K.C. (Bellevue Sphere)	Shelter Resources	50	\$190,000
Riverside Landing	Bothell	Shelter Resources **	50	\$225,000
Kirkland Plaza	Kirkland	Imagine Housing	24	\$610,000
Heron Landing	Kenmore	DASH/Shelter Resources	50	\$65,000
Ellsworth House Apts	Mercer Island	Imagine Housing	59	\$900,000
Greenbrier Sr Apts	Woodinville	DASH/Shelter Resources **	50	\$131,192
SUB-TOTAL SENIOR HOUSING			417	\$4,631,192
			Percent of Total Funds Allocated	13.6%
			Long Term Distribution Goal	19.0%

* Funded through Bellevue Downtown Program

** Also includes in-kind contributions (e.g., land, fee waivers, infrastructure improvements).

HOMELESS/TRANSITIONAL HOUSING

Project	Location	Owner	# Units/ Beds	Funding
Hopelink Place	Bellevue	Hopelink **	20	\$500,000
Chalet	Bellevue	Imagine Housing	4	\$46,667
Kensington Square	Bellevue	Housing at Crossroads	6	\$250,000
St Margarets	Bellevue	Imagine Housing	30	\$1,162,500
Dixie Price Transitional Housing	Redmond	Hopelink	4	\$71,750
Avondale Park	Redmond	Hopelink (EHA)	18	\$280,000
Avondale Park Redevelopment	Redmond	Hopelink (EHA) **	60	\$1,502,469
Petter Court	Kirkland	KITH	4	\$100,000
Francis Place	Kirkland	Imagine Housing	45	\$1,125,000
Rose Crest (Talus)	Issaquah	Imagine Housing	10	\$229,712
Lauren Heights (Iss Highlands)	Issaquah	Imagine Housing/SRI **	5	\$73,038
Issaquah Family Village I	Issaquah	YWCA **	10	\$503,745
SUB-TOTAL HOMELESS/TRANSITIONAL HOUSING			216	\$5,844,881
			Percent of Total Funds Allocated	17.2%
			Long Term Distribution Goal	13.0%

** Also includes in-kind contributions (e.g., land, fee waivers, infrastructure improvements).

Figure 12: ARCH Housing Trust Fund Projects, 1993–2009, Continued

SPECIAL NEEDS HOUSING

Project	Location	Owner	# Units/ Beds	Funding
My Friends Place	K.C.	EDVP	6	\$65,000
Stillwater	Redmond	Eastside Mental Health	19	\$187,787
Foster Care Home	Kirkland	Friends of Youth	4	\$35,000
FOY New Ground	Kirkland	Friends of Youth	6	\$250,000
DD Group Home 4	Redmond	Community Living	5	\$111,261
DD Group Homes 5 & 6	Redmond/KC (Bothell)	Community Living	10	\$250,000
United Cerebral Palsy	Bellevue/Redmond	UCP	9	\$25,000
DD Group Home	Bellevue	Residence East	5	\$40,000
AIDS Housing	Bellvue/Kirkland	Aids Housing of WA.	10	\$130,000
Harrington House	Bellevue	AHA/CCS	8	\$290,209
DD Group Home 3	Bellevue	Community Living	5	\$21,000
Parkview DD Condos III	Bellevue	Parkview	4	\$200,000
IERR DD Home	Issaquah	IERR	6	\$50,209
FFC DD Homes	NE KC	FFC	8	\$300,000
Oxford House	Bothell	Oxford/Compass Ctr.	8	\$80,000
Parkview DD Homes VI	Bothell/Bellevue	Parkview	6	\$150,000
SUB-TOTAL SPECIAL NEEDS HOUSING			119	\$2,185,466
			Percent of Total Funds Allocated	6.4%
			Long Term Distribution Goal	12.0%

TOTAL	2575	\$34,019,514
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Developmentally Disabled Group Home, Parkview, Bellevue

Affordable Housing



Cambridge Court Senior Housing, Resurrection Housing Foundation, Bellevue

Any type of housing can be affordable.

That's because housing affordability doesn't depend on the cost of the housing, but rather on the income of its occupants: as long as the occupants pay **no more than 30 percent of their income** for rent and utilities or for mortgage, taxes, and insurance, the housing is considered affordable.

For this guidebook, however, we will focus in on a narrower definition of affordable housing:

Affordable housing is housing that is affordable to a household that earns 80 percent of median income or less.

Affordable housing currently exists in our communities (though much of it is affordable to households from 60-80 percent of median income). Creating additional affordable housing, however, particularly for low-income households, may require either assistance or new incentives.

This guidebook describes strategies used over the past decade to create affordable housing in East King County:

- **Affordable homeownership**
 - Direct assistance to homebuyers (down payment assistance).
 - Cost-reducing development strategies:
 - Diverse housing type and size (attached housing).
 - Land use incentives.
 - Subsidized housing development (Habitat for Humanity-produced homes).
- **Affordable rental**
 - Direct assistance to renters (rental assistance).
 - Cost-reducing development strategies:
 - Land use incentives.
 - Accessory dwelling units (ADUs).
 - Subsidized housing development.
 - Preservation of existing affordable housing.

As Figure 13 shows, a combination of private-market and public sector strategies have helped create nearly 6,400 units of affordable housing in East King County since 1993.

Figure 13: Creation of Affordable Housing: 1993–2008

City	Low-Income Housing (Incomes <50% of Median)				Moderate Income (Incomes 50-80% of Median)				Total Low- and Moderate- Income
	Direct Assistance	Land Use Incentives	Market	Sub-Total	Direct Assistance	Land Use Incentives	Market	Sub-Total	
Beaux Arts	0	0	0	0	0	0	0	0	0
Bellevue	864	0	8	872	582	321	810	1,713	2,585
Bothell	90	0	0	90	59	2	647	708	798
Clyde Hill	2	0	0	2	1	3	0	4	6
Hunts Point	0.3	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.3
Issaquah	181	0	0	181	1	134	133	268	449
Kenmore	112	0	0	112	84	23	51	158	270
Kirkland	157	0	43	200	108	133	158	399	599
Medina	2.1	0.0	0.0	2.1	0.2	1.0	0.0	1.2	3.3
Mercer Island	59	0	0	59	2	202	10	214	274
Newcastle	20	0	0	20	1	10	0	11	31
Redmond	285	3	0	288	376	196	239	811	1,099
Sammamish	5.5	0.0	0.0	5.5	0.2	0.0	0.0	0.2	5.7
Woodinville	71	0	0	71	1	33	153	187	257
Yarrow Point	0.3	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.3
TOTAL	1,849	3	51	1,903	1,215	1,058	2,201	4,474	6,377

Includes permits for accessory dwelling units, density bonuses, etc.

Does not include all property permitted after 2007.

Source: ARCH

- **Low-income units** (affordable to households up to 50 percent of median income) have generally required some type of direct assistance to develop.
- **Moderate-income units** (affordable to households up to 80 percent of median income) are more likely to be created by the market or through land use or regulatory incentives offered by local governments. Nearly three-quarters of the moderate-income units developed on the Eastside were created through these means. However, there are indications that the private market has not created as much moderate-income housing in the past few years as it did in previous years.

AFFORDABLE HOMEOWNERSHIP

It is increasingly difficult for moderate-income households and first-time homebuyers to purchase a home, particularly in East King County. In response, federal, state, and local governments; non-profit organizations; lenders; and private developers have developed a number of strategies to assist low and moderate-income homebuyers. Local homeownership assistance programs use several different strategies.

Assistance to Homebuyers	Cost-reducing Development Strategies	Subsidized housing development
Provide cash in the form of down payment loans or lower interest rates to help buyers afford home costs.	Lower construction costs by smaller lot or unit sizes, by offering developers waivers from regulations, or by using surplus land.	Lower purchase costs through development subsidies and sweat equity from buyers and volunteers.

Assistance to Homebuyers: Down Payment Assistance



Saving money for a **down payment** can be a significant challenge for first-time homebuyers who do not have equity from a previous home. A 10 percent down payment⁴ requires over \$31,000 for the median-priced condominium or \$60,000 for the median single-family home on the Eastside.

In response, a number of local jurisdictions and lenders have developed homebuyer assistance programs to help first-time homebuyers.

House Key Plus ARCH is one such program, developed through a partnership of the Washington State Housing Finance Commission, King County, and ARCH. The program is available to households that earn 80 percent of median income or less and wish to purchase a home within East King County. House Key Plus ARCH provides up to \$30,000 in a down payment assistance loan at a 4 percent simple interest rate. These loans do not have to be repaid until the home is sold or refinanced.

⁴ Although some lenders and mortgage programs offer mortgages with less than 10 percent down, a 10 percent down payment is considered standard. For any down payment amount less than 20 percent, buyers are generally required to purchase private mortgage insurance to protect the lender.

There are a variety of other down payment assistance programs. For example, the Housing Finance Commission offers **Home Choice** for people with disabilities. HomeStreet Bank offers the **Hometown Home Loan Program** in cooperation with a number of local employers, including several local cities, to help local employees afford a first home.

Cost-reducing Development Strategies: Attached Housing

Over the last several decades, smaller, more affordable homeownership options—in the form of **attached housing** developments, such as condominiums and townhouses—have become popular on the Eastside. Thousands of attached units have been developed in neighborhoods in Redmond, Bellevue, Kirkland, Issaquah and other Eastside cities.



Silverleaf, Bellevue

Exhibits 9 and 10 in the Appendix show that a high proportion of new permitted housing for Eastside cities has been attached housing, with a high proportion of that housing being condominiums. This allowed the homeownership rate on the Eastside to increase during the 1990s and early 2000s.

Condominiums and townhomes are generally less expensive than single-family homes because they are smaller and do not have individual yards, but prices have been increasing. The median price for an Eastside condominium was just over \$314,000 in the first quarter of 2010, compared to the “affordable” home price of \$296,000 for the median income family of four (though considerably less than the median price of approximately \$600,000 for a single-family home).

Condominium Conversions

Condominiums have provided entry-level homeownership opportunities to many Eastside households. Their growing popularity can also create market conditions that result in existing rental apartments being converted into condominium units, as occurred in the mid-2000s.

While providing affordable ownership opportunities, the conversion of rental units to condominiums can make them unaffordable to existing tenants, many of whom can be low or moderate-income (Joint Center for Housing Studies, 2007). Condominium conversions increased significantly in the mid 2000s, but have slowed down over the last year or two. In Kirkland, for instance, approximately 22 percent (1,425) of the city's 6,350 condominiums in 2006 were converted rental housing (ARCH, 2007).



Conover Cottages. Cottage Company, Kirkland

Cost-reducing Development Strategies: Land Use Incentives

On the theory that helping housing developers reduce the cost of development will lead to lower-cost housing options, a number of local communities have provided **land use incentives** to spur the development of lower-cost homeownership opportunities. Land use incentives may include any of a number of strategies:

- Providing surplus, publicly-owned land for housing (e.g., Habitat home sites in Issaquah, Kirkland, Bellevue);
- Offering increased height or density in return for including units affordable to low or moderate-income households in a development (e.g., Greenbrier, Woodinville);
- Zoning to allow smaller lot sizes, smaller unit sizes, or alternative housing types, such as **accessory dwelling units** (ADUs) or cottages (e.g., Kirkland's Conover Cottages, Redmond's Innovative Housing Program); or
- Waiving or reducing permit/impact fees for affordable housing (e.g., Coal Creek Terrace, Habitat for Humanity, Newcastle).

Through 2007, incentive programs have helped create over 1,000 moderate-income homes (Figure 13), including over 500 ADUs and over 350 units of price-restricted homes (with resale covenants to preserve affordability).

Preservation of Manufactured Housing Communities

Manufactured housing provides an affordable form of ownership for both families and seniors. Though not as prevalent as in some areas of the state, manufactured housing communities have historically existed throughout East King County, especially in the northern areas of the County. As in other areas of the state, communities are being closed for redevelopment into more intensive uses. Preserving these communities is one way to provide a more affordable form of ownership housing. One way this has been done is to provide funding through the ARCH Trust Fund to assist purchase by non-profit community based groups. Another potential tool, currently used in Bothell, is to zone sites specifically for manufactured housing communities.

Subsidized Housing Development: Habitat for Humanity

Another way to provide affordable homeownership opportunities is to subsidize the development of new homes or condominiums, thus lowering the price to the homebuyer. **Habitat for Humanity** is the largest Eastside provider of this type of affordable housing, using a combination of volunteer labor and sweat equity from prospective homebuyers, as well as donations of money and building materials. These resources are leveraged by public resources used for land and infrastructure to provide affordable homeownership opportunities for low and very low-income households.



Coal Creek Terrace, Habitat for Humanity, Newcastle

Habitat homes are limited to households with incomes at or below 50 percent of median income (\$21/hour or less for a family of four). Prospective homebuyers “earn” their down payment by contributing 500 hours of sweat equity labor toward their home or another Habitat construction project.

Habitat for Humanity of East King County has developed over 100 homes in the cities of Bellevue, Carnation, Issaquah, Kirkland, Newcastle, Redmond, Sammamish, and Snoqualmie since it was founded in 1988. Recent projects include 12 townhomes in Newcastle (Coal Creek Terrace), 24 townhomes on the former Coast Guard site in Redmond (Patterson Park), and 10 units in Issaquah Highlands.

AFFORDABLE RENTAL

Very low and low-income households have a difficult time finding affordable rental housing on the Eastside. As noted above, market-rate rents are higher than low-income households can afford, requiring them to spend more than 30 percent of their income on housing, double up with others, or move farther away from jobs or family to seek lower-priced housing. This section discusses several strategies that have been used to assist low-income households (earning 50 percent of median or less) with rental housing. Assistance can also include housing specifically designed to address the needs of those with specialized needs, such as homeless families, singles and youth; seniors; persons with disabilities and others. ARCH has acknowledged this range of needs by establishing goals for different populations (See ARCH Housing Trust Fund, page 48).

Assistance to Renters	Cost-reducing Development Strategies	Subsidized housing development	Preservation of existing Housing
Provide cash to renters in the form of a Housing Choice voucher to subsidize rent in a market-rate apartment.	Lower construction costs by smaller unit sizes or by offering developers waivers from regulations or incentives for including affordable units.	Develop units with affordable rents through public or philanthropic subsidies.	Preserve existing affordable housing by subsidizing it to retain rents at affordable levels.

Assistance to Renters: Rental Assistance

For households that do not earn enough to afford a private market apartment, one potential solution is **rental assistance**. Rental assistance is essentially an ongoing subsidy, which covers the gap between 30 percent of a household’s income and the actual cost of an apartment, allowing the household to afford a market-rate apartment.

The federal government has provided rental assistance since the 1970s through its **Housing Choice (Section 8)** program. The Section 8 program provides rental assistance through two different mechanisms:

- **Rental vouchers**, which provide a cash subsidy to make up the difference between 30 percent of a tenant’s income and a federally-defined “**Fair Market Rent**” at the tenant’s own apartment; and
- **Project-based Section 8**, which provides a subsidy to the owners of an affordable rental complex, helping to keep rents low in that building.

The King County Housing Authority (KCHA) administers the Section 8 Rental Voucher Program locally, currently subsidizing over 8,100 households around the county outside Seattle. The program faces two challenges, however for residents of East King County.

First, because rents in East King County are higher than in other parts of the county, local tenants have difficulty finding apartments that meet the “Fair Market Rent” limit and often must use their vouchers elsewhere in the county where rents are lower. The allowable rent limits may make it difficult for households to find apartments given the \$1,000 to \$1,500 average rents on the Eastside. A total of approximately 1,730 Section 8 certificates are currently being used in East King County (out of approximately 8,100 total that are currently in use by KCHA).

Second, when KCHA opened its Section 8 waiting list during spring 2007, it received applications from 10,728 households, but was able to place only 2,500 households on its waiting list. KCHA is able to serve approximately 1,200 new households each year, making the wait for housing for those at the end of the waiting list over two years.



Emergency Rental Assistance

In addition to federally-subsidized rental assistance, King County, a number of local communities and several non-profits also provide one-time, emergency rental assistance, designed to prevent households in crisis from becoming homeless.

Most rental assistance programs are limited to people at or below 80 percent of median income. In some cases, subsidies can only be used by those below 50 percent of median income.

Cost-reducing Development Strategies: Land Use Incentives



As noted in the section on affordable homeownership, helping rental housing developers reduce the cost of development can lead to lower-cost housing options. A number of local communities have provided **land use incentives** to spur the development of lower-cost rental opportunities. These strategies, which do not necessarily guarantee housing affordability but can encourage a diversity of types and styles of housing, may include:

Riverside Landing Senior Apartments, SRI, Bothell

- Allowing housing in mixed-use buildings and downtown neighborhoods.
- Adopting flexible development regulations, such as:
 - Reducing parking requirements or allowing shared parking; or
 - Using Floor Area Ratio (FAR) instead of density per acre to permit additional density and encourage smaller units.

Explicitly Affordable Rental Housing

In some cases, regulatory incentives have been used to create explicitly affordable housing. Over 1,000 moderate-income units have been created on the Eastside since 1993 using land use incentives.

These strategies have included:

- **Incorporating affordable housing into market-rate developments.** A number of jurisdictions have adopted density bonuses, fee waivers and other incentives that include affordable housing. Some cities (Bellevue, Kirkland) also relax certain development standards (e.g. impervious surface area, parking) to accommodate affordable units.

- **Linking affordability to rezones or regulation changes.** Several cities have created linkages to providing affordable housing when they have changed zoning regulations. In some cities (including Redmond, Newcastle, and Kenmore), provision of affordable housing is required for all housing in certain areas that changed zoning regulations. Kirkland and Mercer Island have rezoned areas where affordability is required only if the new regulations (e.g. extra height) are used.
- **Permitting Accessory Dwelling Units.** Accessory Dwelling Units (ADUs) can do two things at once: they can help lower the costs of homeownership, while also providing affordable rental housing.
An ADU is an extra living unit on a residential property, complete with kitchen, bathroom, and a sleeping area. An ADU can be inside a single-family home, attached to a home or garage, or (in some cities) detached as a separate structure on the property. Most cities in East King County now permit ADUs, and, since 1993, 500 ADUs have been created in East King County.
- **Providing surplus, publicly-owned land.** Several cities have made surplus land available at no cost or at below market in exchange for providing affordable housing in the development.



An ADU above a garage, Kirkland



An ADU in a home, Mercer Island

Subsidized housing development

New affordable rental units can be created by subsidizing their development costs through the use of public or philanthropic funds.

Subsidized rental units are usually developed and operated by community-based non-profit developers, though some have been developed by private developers. Types of subsidies are discussed in more detail in the Funding Sources section. Typically, numerous funding sources—from federal tax credits to below-market-rate financing to funds from local governments—are **layered** to cover the costs of the new development.

Since 1993, almost 2,580 low and moderate-income units have been created in East King County using a variety of forms of direct assistance.



Highland Gardens, St. Andrews Housing Group, Klahanie

Almost all of these have included financial assistance from cities that are members of ARCH. Figure 12 on page 20 provides a complete list of projects that have received assistance through the ARCH Housing Trust Fund.

To get a better sense of the types of people who live in affordable housing and have been helped by affordable housing programs, the Eastside non-profit Downtown Action to Save Housing (DASH) surveyed tenants in properties it had

developed. Exhibits 11 and 12 in the Appendix show that these properties include households with a wide range of incomes working in a range of occupations.

Preservation of existing affordable housing

Existing housing has been a primary source of affordable housing. One of ARCH's objectives has been to maintain the proportion of funding for preservation projects at or above previous levels (which have averaged 30 percent of total funding). Eastside cities have worked to preserve two types of affordable housing:

- Project-based Section 8 housing; and
- Existing affordable market-rate housing.

Project-based Section 8 housing. In addition to providing rental vouchers, the Section 8 program also provides project-based subsidies, which have been used to develop housing for families and seniors. In project-based Section 8 developments, the federal government provides ongoing subsidies to property owners to make up the difference between Fair Market Rent and what low and very low-income residents can afford. When these developments reach the end of their affordability commitment to the federal government, however, they are eligible to be converted into market-rate housing.

Preservation of expiring Section 8 units and other affordable housing units has been a high priority for ARCH and its partners, as this housing cannot be replaced and will soon become unaffordable if it is not preserved.

In East King County there are approximately 1,100 project-based Section 8 housing units, of which approximately 620 were originally built by private developers. To date, ARCH member cities have helped the King County Housing Authority and non-profit developers preserve 460 of these units.



Ellsworth Senior Apartments, St. Andrews Housing, Mercer Island

Existing affordable market-rate housing. Another strategy employed by ARCH and its member cities has been to assist the King

County Housing Authority or non-profit developers to purchase existing market-rate housing developments. The properties are renovated and then reopened with rents affordable to low or moderate-income households, in some cases with units set aside for formerly homeless households.

At the time these properties are purchased by the Housing Authority or a non-profit, a large proportion of their residents have incomes between 30 and 60 percent of median income. When these properties are preserved for long-term affordability, their residents can benefit through both improved housing conditions and guaranteed affordable rents.

Affordable Housing Developers

Three types of developers create affordable housing in East King County:

- King County Housing Authority.
- Community-based non-profits.
- Private Developers.



Village at Overlake, KCHA, Redmond

KING COUNTY HOUSING AUTHORITY

The King County Housing Authority (KCHA) was established in 1939 as the county's public housing agency. KCHA originally built and operated housing funded through the U.S. Department of Housing & Urban Development (HUD). In the last 20 years, KCHA has expanded the types of housing and funding mechanisms it provides.

KCHA owns and manages nearly 3,600 units of federally subsidized housing for families, the elderly, and people with disabilities; and almost 5,100 units of housing financed through tax credits and/or tax-exempt bonds and other local programs. KCHA also provides emergency and transitional housing for homeless families and people with special needs. In total, KCHA manages over 8,750 units countywide, with just over 2,650 of those units located in 42 properties in East King County. In East King County, KCHA's efforts have included purchasing several existing market-rate rental developments to maintain them as affordable housing.

KCHA assists an additional 8,130 households through the Section 8 Housing Choice voucher program (about 1,700 of these in East King County), which provides monthly rent subsidies to help low-income households rent market-rate apartments.

Exhibit 13 in the Appendix summarizes KCHA programs and properties both countywide and on the Eastside.

COMMUNITY-BASED NON-PROFITS

A number of non-profit organizations have developed housing in East King County. Some of these organizations focus only on housing. Others are primarily service providers that assist specific groups—such as people with disabilities or victims of domestic violence—and have developed housing projects to serve the needs of their clients. They include:



Figure 14: Eastside Non-profit Housing Developers

ORGANIZATION	CONTACT INFORMATION	
Housing Providers		
Compass Housing Alliance	206-357-3100	www.compasshousingalliance.org
Downtown Action to Save Housing (DASH)	425-646-9053	www.dashhousing.org
Habitat for Humanity East King County	425-869-6007	www.habitatkc.org
Housing at the Crossroads		www.housing-at-the-crossroads.org
Imagine Housing (formerly St. Andrews Housing Group)	425-391-3090	www.imaginehousing.org
Low Income Housing Institute (LIHI)	206-443-9935	www.lihi.org
Manufactured Housing Community Preservationists (MHCP)	206-324-0663	www.mhcp-wa.org
Resurrection Housing Foundation (Church of the Resurrection, Bellevue)	425-562-1228	
Service and Housing Providers		
Building Changes (formerly AIDS Housing of Washington)	206-805-6100	www.buildingchanges.org
Catholic Housing Services and Catholic Community Services	206-328-5695	www.ccsww.org
Community Homes	425-773-5377	www.community-homes.org
Eastside Domestic Violence Program	425-562-8840	www.edvp.org
Friends of Youth	425-869-6490	www.friendsofyouth.org
Hopelink	425-869-6000	www.hope-link.org
Kirkland Interfaith Transitions in Housing (KITH)	425-576-9531	www.kithcares.org
NAMI Eastside (National Alliance for the Mentally Ill East King County)	425-885-6264	www.nami-eastside.org
YWCA	425-556-1350	www.ywcaworks.org

PRIVATE DEVELOPERS

Private housing developers have also produced affordable housing in a variety of ways. They may create units, such as cottages, that are smaller and less expensive than larger homes. They may partner with a non-profit organization to design or develop an affordable housing project. They may use a land use incentive provided by a local government to incorporate a



Greenbrier Heights, homeownership, CamWest, Woodinville

percentage of affordable units into a market-rate development. Or they may form a limited partnership for the purpose of using Low Income Housing Tax Credits or developing a specific project.

Several private developers have partnered with local communities and ARCH to create affordable housing. Some of these developers include:

- **Shelter Resources, Inc.**, which has been involved in developing over 300 affordable units in East King County. Examples include the Crestline Apartments near Kirkland, and partnering with CamWest and DASH to develop Greenbrier Housing in Woodinville.
- **CamWest**, which has developed several market-rate developments with below-market-rate homes, and partnered with DASH and Shelter Resources to develop Greenbrier Housing in Woodinville.
- **Pacific Inn Associates**, which developed the Pacific Inn efficiency unit apartment complex in Bellevue.

Affordable Housing Funding Sources



Affordable housing can be funded in many ways. Nearly three-quarters of moderate-income units built since 1993 have been developed by the private market or with land use incentives.

However, most low and very low-income housing (including many homeownership opportunities) is developed using a variety of public or philanthropic funding sources.

Typically, a single source of funding is not enough. Instead, funding sources are **layered** to create a financing package to support housing development and operating costs. This approach allows funders to leverage their funds, but requires developers to manage multiple and complicated funding sources. It is noted that several of these funding sources have been reduced (State Trust Fund), or threatened with reductions (Federal CDBG, HOME programs).

This section provides a broad overview of major funding sources for affordable housing, focusing primarily on funds for capital development.

- **Federal funding:**
 - Tax incentives (tax credits and tax-exempt bonds).
 - Section 8 Program.
 - Federal pass-through funds, such as HOME, CDBG, HOPWA.
 - Capital grants, such as Section 202/811.
- **State funding:**
 - Washington State Housing Trust Fund.
- **County funding:**
 - King County Housing Opportunity Fund.
 - Regional Affordable Housing Program.
 - Transitional Housing and Operating Rental Assistance.
 - Homeless Housing and Services Fund (2163/ 1359 Funds).
 - Veterans and Human Services levy.
- **Local funding:**
 - ARCH Housing Trust Fund.
- **Philanthropic funding.**
- **Private below-market funding.**

Figure 15: Summary of Affordable Housing Funding Sources

Federal Funding Sources		
Funding Source	Use	Amount
Low Income Housing Tax Credits (LIHTCs)	Reduces the tax liability for equity investors in affordable housing.	\$13 million statewide in 2010
Tax-exempt bonds	Provides low interest, tax exempt financing. Often paired with LIHTCs.	\$200+ million statewide
Project-based Section 8 units	Provides rent subsidies to projects.	1,100 units in East King County.
Section 8 Vouchers	Provides rent subsidies to tenants.	KCHA administers 1,700 on Eastside.
Community Development Block Grant (CDBG)	Provides funds to revitalize communities.	King County received \$6+ million in 2009
HOME Investment Partnership	Funds development or renovation of affordable units.	King County received \$4.4 million in 2009.
Emergency Shelter Grant	Funds emergency shelter, and support services.	\$200,000 received countywide in 2006.
McKinney Supportive Housing Program (DHP)	Funds housing and services for those moving from homelessness.	King County received \$15 million in 2007
Housing Opportunities for Persons with AIDS (HOPWA)	Funds housing and services for people with HIV/AIDS.	\$620,000 received statewide in 2006.
HOPE VI	Funds renovation of public housing.	KCHA is developing Greenbridge in White Center.
Section 202 / 811	Funds senior, special needs housing.	Typically 70 units per year statewide
State Funding Sources		
Washington Housing Trust Fund	Supports construction, acquisition or rehabilitation of affordable housing.	\$100 million statewide in 2009-2010 biennium.
County Funding Sources		
Housing Opportunity Fund (HOF)	Leverages funds for homeless, displaced, and special needs housing.	Averaged \$2 million annually thru 2005, no new funds since.
Regional Affordable Housing Program (RAHP/2060)	Funds capital costs for affordable housing and services for homeless.	\$3 million in capital funds in 2007 \$500,000 in service funds in 2007
Homeless Housing and Services Fund (2163)	Funds operating, services and rent assistance for homeless housing.	\$971,000 in 2007
Veterans and Human Services Levy Capital funds	Funds development of housing serving homeless.	Approximately \$10 million in 2007, \$1million annually subsequent years
Veterans and Human Services Levy Operating and services funds	Funds services and operations in housing serving homeless.	\$2 million in 2007; \$1million annually subsequent years
Local Funding Sources		
ARCH Housing Trust Fund	Pool resources from Eastside cities for affordable housing.	Approximately \$1.5 million annually

FEDERAL FUNDING

The federal government has been providing funds for affordable housing since the 1930s. Federal housing funds come from a number of different programs.

Federal Tax Incentives

As part of the Tax Reform Act of 1986, the federal government expanded the use of the Internal Revenue Code to assist affordable housing using two programs:

- **Low Income Housing Tax Credits** and
- **Tax-Exempt Bonds.**

While federal housing programs have historically been administered by the United States Department of Housing and Urban Development (HUD), these two IRS programs have become significant federal housing finance programs. They are administered at the state level.

Low Income Housing Tax Credits (LIHTC).

The LIHTC provides a credit against federal income tax liability or a reduction in the amount of taxes paid, providing an incentive for individuals or corporations to invest in affordable housing.

The IRS allows each state to allocate LIHTCs based on its population. In addition, each state can establish additional criteria for allocating the credits. The Washington State Housing Finance Commission (WSHFC), which administers the LIHTC program within Washington, has set up a point system for allocating tax credits. Points are awarded for items such as the number of affordable units, affordability levels, providing large units for families, units for homeless households, and serving persons with disabilities. The WSHFC point system can be changed so long as IRS minimum affordability guidelines are met.



Plum Court, DASH, Kirkland

Plum Court Apartments Funding Sources	
93 units rental housing Developer: DASH	
Local funds (ARCH loan)	\$1,000,000
King Cty (HOME/CDBG)	\$1,100,000
State Hsg Trust Fund	\$800,000
Federal LIHTC	\$3,488,000
Private lender	\$3,500,000
Owner equity	\$500,000
Other (PSE Energy)	\$100,000
TOTAL	\$10,488,000

Housing projects that use LIHTCs typically create general partnerships to bring in investor partners who can use the tax shelter. The limited partner investors provide up-front equity contributions to the partnership in

exchange for receiving the tax credits and other tax benefits over a ten-plus year period. Projects can receive a significant portion of total development costs from these investors, sometimes upwards of 50 percent of project costs. Because of the need to develop a complicated ownership structure to use LIHTCs, these projects can be more complex to develop.



Village at Overlake Station, KCHA, Redmond

Village at Overlake Station Funding Sources

308 units of rental housing
Developer: King County Housing Authority,
Langley Associates (private)

Local funds (City/ARCH)	\$1,272,109
Redmond permit fee waiver	\$372,891
King Cty HOF	\$500,000
State Hsg Trust Fund	\$1,500,000
Federal LIHTC	\$13,130,000
Tax Exempt Bonds	\$21,690,000
Owner Equity	\$3,850,000
King Cty Metro Loan	\$900,000

King County Metro Land Lease

TOTAL \$43,215,000

Tax-Exempt Bonds. The IRS also authorizes states to allocate tax-exempt bonds to housing developments that meet minimum affordability guidelines. The IRS caps the amount of bonds that can be issued based on state population. In some cases, tax-exempt bonds can be paired with LIHTC. WSHFC has issued over \$200 million in tax-exempt multi-family bonds in some years.

Federal Section 8 Program

As noted above, the Federal Section 8 Housing Choice Program provides rent subsidies to help low-income tenants afford a market-rate or publicly subsidized apartment where rents are still too high. Residents pay one-third of their income toward rent and utilities, and the federal government pays the property owner any

difference between that amount and a Fair Market Rent. Federal Section 8 funds in King County are managed by the King County Housing Authority.

The Section 8 program also provides **project-based** support for the development and rehabilitation of affordable housing projects. Preserving existing Section 8 units with expiring federal contracts has been a high priority for ARCH and Eastside cities as well as other public funders.

Federal pass-through funds

The federal government also funds a number of programs that can be used to develop, renovate, or operate affordable housing. These programs are each designed to assist different types of households (for instance, people living with HIV/AIDS) and have different guidelines.

In each case, federal funding is “passed through” to state, county, or local governments to be applied to specific projects.



Hopelink Place, Hopelink, Bellevue

Pass-through programs for affordable housing include:

Community Development Block Grant (CDBG) funds: CDBG funds, which are designed to create viable urban communities, can be used for a variety of purposes, including affordable housing. King County administers and distributes approximately \$6 million annually of CDBG funds on behalf of a **consortium** that includes most of the cities outside Seattle.

A small portion of County CDBG funds are set aside for housing based on requests by consortium members. One portion (between \$250,000 and \$350,000 annually in recent years) is allocated through ARCH. Another smaller portion is made available through the County’s allocation process (see County Funding, page 49). Bellevue also receives a direct allocation of CDBG funds and sets aside a portion of these funds to be allocated through the ARCH Housing Trust Fund (See Appendix, Exhibit 14).

HOME: The HOME Investment Partnership program, which was started in 1992, provides capital funds to develop or renovate affordable housing units. King County administers and distributes HOME funds on behalf of a consortium that includes most of the cities outside Seattle. The county received approximately \$4.4 million in HOME funds in 2009.

Hopelink Place Funding Sources	
20 units transitional housing Developer: Hopelink	
Local funds (ARCH)	\$200,000
Bellevue: land donation	\$300,000
King Cty (HOME/CDBG)	\$729,866
King Cty HOF	\$535,915
State Hsg Trust Fund	\$992,659
Federal Home Loan Bank	\$99,980
Private donations	\$575,000
Other (Federal McKinney)	\$400,000
TOTAL	\$3,387,505

Emergency Shelter Grant. The Emergency Shelter Grant program funds transitional housing, shelter, and basic supportive services. In 2007, King County received approximately \$200,000 from this program.

McKinney Supportive Housing Program (SHP). SHP are competitive federal funds awarded under Seattle-King County’s Continuum of Care Plan. Due to the large number of projects eligible for yearly renewal, the annual amount applied for is approximately \$15 million. SHP funds housing development and supportive services for households moving from homelessness to independent living.



Harrington House, AHA, Bellevue

HOPWA. The Housing Opportunities for People with HIV/AIDS program provides funding for housing and services. Funding is allocated through the state and major cities. The Washington State Department of Commerce received \$620,000 in 2006.

Section 202/811. These HUD programs provide capital and support

services funding for senior and special needs housing respectively. Typically, 70 units or less are funded statewide each year.

HOPE VI. The HOPE VI program helps public housing authorities renovate their housing developments. The King County Housing Authority is using HOPE VI funds for the Greenbridge project in White Center.

STATE FUNDING

The State of Washington receives several federal pass-through fund sources and disburses them to projects (primarily outside of King

County). In addition, the state operates its own housing funding program, which was created to help fill the need that was not being met by federal funding levels.

Harrington House Funding Sources	
8 units of transitional housing Developer: AHA (Archdiocesan Housing Authority)	
Local funds (ARCH)	\$290,209
King Cty HOF	\$275,000
State Hsg Trust Fund	\$225,095
Fed Home Loan Bank	\$31,992
Land donation	\$104,100
TOTAL	\$926,306

Washington Housing Trust Fund

The Housing Trust Fund (HTF) was created in 1986. In 1987, the Washington HTF received its first million dollars in dedicated funding from the state's general fund. By the 2007-2008 biennium, the budget for the Washington HTF had increased to almost \$200 million; but in the 2009-2010 biennium budget due to the fiscal crisis it has been reduced to \$100 million.

The Washington HTF supports the construction, acquisition, or rehabilitation of approximately 4,000 units every two years. The amount of housing that can be supported will be significantly impacted based on anticipated reductions in the State budget. HTF funds can be used for a variety of affordable housing projects, including new construction or preservation of existing projects, homeownership down payment assistance, and housing for people with special needs. HTF funds can be made available through grants or loans. Projects funded through the Washington HTF typically must remain affordable for at least 50 years.



Avon Villa Mobile Home Park, MHCP, Redmond

COUNTY FUNDING

King County allocates a number of federal, state, and local funding sources for affordable housing. These funds are primarily allocated through a joint application process organized by the county (which is separate from city allocation of funds through ARCH).

One portion of county funding comes from several sources of pass-through funding from the federal government. King County serves as the administrator and distributor of CDBG, HOME, and Emergency Shelter Grant funds to most of the cities within the county. Over the last six years, approximately \$12 million in HOME and CDBG funds have supported development of permanent low-income housing. This federal pass-through funding is separate from the ARCH Housing Trust Fund.

Avon Villa Mobile Home Community Funding Sources

93 units manufactured housing
Developer: Manufactured Housing
Community Preservationists (MHCP)

Local funds (ARCH loan)	\$200,000
Redmond – waived LID	\$326,000
King Cty (HOME/CDBG)	\$882,000
State Hsg Trust Fund	\$1,067,410
Tax-exempt bonds	\$2,400,000

TOTAL **\$4,875,410**

County Housing Finance Program

In addition, the County’s **Housing Finance Program** includes several other state and county housing funding sources.



Wildwood Apartments, DASH, Bellevue

Housing Opportunity Fund (HOF). King County created the HOF in 1990. Historically it was funded from county Current Expense funds to provide a local source of funding as needed “leverage” or match for federal, state, private, and other local funds. It is focused on the needs of homeless, displaced, and special needs populations. The HOF has committed more than \$34 million to support the development of 113 projects, creating 2,754 units of low-income housing. In recent years, no new general funds have been added to the HOF.

Transitional Housing Operating & Rental Assistance (THOR). These program funds are made available to King County through the State. King County’s Housing and Community Development Program awards and administers THOR on behalf of the Seattle-King County Continuum of Care for all agencies serving King County (including Seattle). THOR funds are intended to support transitional housing with supportive services for homeless families with children to help them transition from homelessness to permanent housing. THOR provides two categories of funding: operating subsidies for facility-based programs and transitional rental assistance for up to two years.

Wildwood Apartments Funding Sources	
36 units rental housing Developer: DASH (preserved from expiring Section 8 contract)	
Local funds (ARCH loan)	\$270,000
State Hsg Trust Fund	\$600,000
Tax-exempt bonds	\$1,560,000
TOTAL	\$2,430,000

Regional Affordable Housing Program (RAHP). The RAHP was established by the State Legislature in 2002 using a surcharge on document recording fees. King County administers the RAHP for the cities and towns within its jurisdiction. RAHP funds must be used for households earning 50 percent of median income or less. By formula, a portion of the funds can be used for capital costs and another portion for operating costs. Annually, approximately \$3 million is available for capital costs and \$500,000 for operating assistance.

Homeless Housing and Services Fund (2163/1359 Funds). The Homeless Housing and Services Fund is another dedicated local source derived from a surcharge on document recording fees. Priorities for the funds are set by the Committee to End Homelessness and County Council. Approximately \$2.7 million is expected to be available annually to help address homelessness, though the annual amount can vary depending on the amount of real estate transactions.

Veterans and Human Services levy. In November 2005, voters approved a six-year, countywide levy that will generate \$13.3 million annually. Half the levy proceeds are dedicated to veterans' needs. The other half will fund regional health and human services, including housing and homelessness prevention. Approximately \$10 million in accumulated levy proceeds were allocated in 2007 for capital projects serving homeless. Thereafter, \$1 million of the levy funds are being earmarked for capital projects. In



Avondale Park, Springboard Alliance, Redmond

addition, \$2 million in levy funds were allocated in 2007 to provide services and operating support for homeless households. Thereafter, \$1 million is available annually.

LOCAL FUNDING

Many developers of affordable housing also receive support from their local communities. Individual cities can use different financing strategies to facilitate the development of affordable housing: they may provide funding, donate surplus land, or waive regulatory fees.

One of the unique elements of ARCH is that its member cities have developed a coordinated approach to fund affordable housing: the ARCH Housing Trust Fund.

Avondale Park Integrated Project

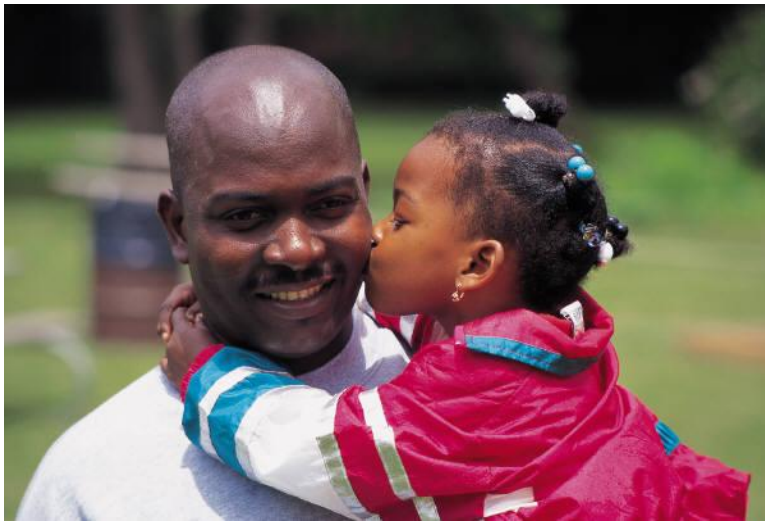
The City of Redmond donated the site, which was acquired from the Coast Guard in 1997.

The Eastside Housing Association developed 64 transitional units, a childcare center, and emergency shelter.

Habitat for Humanity developed 24 affordable townhomes.

Taluswood developed 85 market-rate townhomes.

ARCH Housing Trust Fund



The ARCH Housing Trust Fund was created to allow local cities to pool their resources to provide affordable housing that is equitably distributed throughout the Eastside. ARCH member cities have provided over \$34 million through the Trust Fund to assist almost 2,580 affordable housing units. Figure 12 on page 20 summarizes ARCH Housing Trust Fund projects.

The goal of the Trust Fund is to fund a wide variety of housing,

with long-term goals to allocate resources as follows:

Families	56 percent
Seniors	19 percent
Homeless	13 percent
Special Needs	12 percent

ARCH funding targets also acknowledge several other objectives, including:

- Encouraging housing that includes units affordable at 30 percent of median income;
- Encouraging preservation of existing housing; and
- Providing housing for seniors over age 75, who may need ongoing services.

Funds are made available as deferred loans or grants, depending on the needs of the project. Applications are reviewed by the ARCH Citizen Advisory Board, and reviewed by the ARCH Executive Board before final recommendations for projects are forwarded to member councils for final approval.

The ARCH Parity Program was initiated in 1998 as part of the Trust Fund to establish a means for members to achieve a proportional distribution of resources being contributed for affordable housing. (See Exhibit 14 in the Appendix for more details.) Some of the primary elements of Parity include:

- Goals for each city are stated as a range rather than as a single figure. Formulas used to establish each city's range are based on several factors, including current population, projected housing growth, and projected job growth.
- Accomplishments are measured over a multi-year period, so that no city is required to make a specific level of commitment in any given year.
- Cities are encouraged to use a variety of strategies, including direct funding, fee waivers, and donated land.

PHILANTHROPIC FUNDING

In addition to governmental funding sources and incentives, the charitable sector also supports affordable housing. Local, regional, and national foundations, community organizations, and faith-based communities provide support for housing development or preservation, environmentally-conscious construction tactics, and ongoing supportive services for residents.

PRIVATE BELOW-MARKET FUNDING

The Federal Home Loan Bank's Affordable Housing Program (AHP) is technically a private match to government funding, although it was created by Congress in 1989 as part of the bank's housing funding portfolio. The AHP provides funding for acquisition, construction, or renovation of affordable housing.

Washington Community Reinvestment Association (WCRA). WCRA is a non-profit supported by financial institutions around the state. WCRA administers three revolving loan pools currently totaling approximately \$105 million. The lending programs provide long-term financing to support the creation and preservation of low-income and special needs housing.

Benefits of Affordable Housing

When communities don't have enough affordable housing, everyone pays the price.

Why should local cities support the development of affordable housing? Business leaders and policymakers agree that affordable housing is vital to keep our communities strong and growing. Without enough affordable housing:



Businesses have trouble recruiting and retaining qualified workers, as employees are less likely to stay in a job if they cannot afford to live nearby. Business leaders in high-cost areas around the country have found that gaps between employees' incomes and housing prices have affected their bottom line through higher levels of absenteeism due to workers' longer commutes, more employee turnover, and higher recruiting costs (Joint Center for Housing Studies, 2005). Local governments and school districts also face high employee turnover when

there is a shortage of affordable housing.

Traffic congestion worsens when people must commute long distances to work. Higher levels of congestion lower business competitiveness, worsen air pollution, lengthen commute times, increase employee absenteeism, and diminish the overall quality of life.

Children lose stability when their parents cannot afford housing and must move frequently This hampers their own growth and development and also affects local schools, which must adjust to the problems caused by high student mobility. Researchers have found that high student mobility affects both the students who move and the students who do not move—the entire school is affected by high turnover (Joint Center for Housing Studies, 2006).

People who pay too much for housing risk homelessness. When people pay too much for housing, any life problem—a layoff, illness, or even car trouble—can quickly become a housing crisis as well. But homelessness comes with its own costs, which are borne by the entire community.

FITTING INTO THE COMMUNITY

Based on the work ARCH has done in communities around East King County, ARCH has learned that people in neighborhoods around the region share common values that drive their aspirations for their communities and can be useful in helping to shape proposals for affordable housing. ARCH attempts to keep these values in mind as it works with communities on new housing initiatives. These values include:



Quality of life. People want to live in communities that have good schools, easy access, plentiful open spaces, a pleasant appearance, and are safe places to live and raise a family. Affordable housing can help the community's overall quality of life, for instance by being well-designed, helping to reduce commute times, or addressing homelessness.

Stability. We want our communities to be stable, to be places we can count on over time. Affordable housing should create opportunities to increase stability for its residents and, consequently, the broader community.

Personal accountability and responsibility. Affordable housing programs should be designed to encourage and reward personal accountability and community responsibility.

Housing choices. People should be able to live near their work or family. They shouldn't have to drive long distances to find housing they can afford.

Homeownership. Homeownership is a deeply ingrained part of American life. Homeownership helps provide stability, rewards personal responsibility, encourages community engagement, and helps build personal wealth. It is therefore very important to be able to maintain home value... and to provide homeownership opportunities to moderate-income households.

“ Moving Forward ”

ARCH and its member jurisdictions have realized significant accomplishments since 1993.



Together, Eastside cities, King County, and ARCH have dedicated over \$34 million to affordable housing to help fund almost 2,580 affordable homes for lower income households, and supported efforts by the private sector through land use regulations and incentives that have produced another 3,200 housing units that are affordable to moderate-income households.

They have helped young families get a start by purchasing a first home. They have helped people avoid homelessness and find safe and affordable places to live in our communities. They have helped seniors on fixed income be able to remain in their community. And they have received local and national recognition for the innovative partnership among cities and for the commitment to affordable housing and the well-being of Eastside residents.

But there is more to be done.

Cities collectively have been able to meet only about a third of our goals for low-income housing, and local market conditions may make it increasingly difficult for the private market to provide moderately priced housing. Through a series of workshops in Spring 2007 with housing stakeholders and local officials and staffs, ARCH members acknowledged the need to do more, specifically to expand the range of tools available to help increase the diversity and affordability of housing in our communities.

As a first step, workshop participants proposed a number of strategies that members can consider to supplement their existing efforts. These strategies have been designed to be particularly effective for Eastside cities. They include:

ARCH PRIORITY STRATEGIES

- Create **dedicated funding source(s)** for the ARCH Housing Trust Fund to supplement the existing general fund and CDBG contributions.
- Expand the use of **short-term property tax exemption** (RCW 84.14) for housing and affordable housing in mixed-use zones.
- Find ways to proactively tap into private, surplus public, or **underutilized property** for affordable housing.
- Encourage and support forms of **Employer Assisted Housing**.
- Utilize **regulatory incentive programs** (mandatory and/or voluntary).
- Develop strategies to encourage housing development within **areas zoned for mixed use**.
- Allow **smaller, innovative homes** in single-family areas (e.g., cottages, bungalows, duplexes).

KEY FACTORS AND TRENDS

As the members of ARCH move forward with their housing partners on these and other strategies, a number of key factors and local, regional and national trends will shape their efforts. This guidebook does not recommend specific strategies for cities, as local strategies will be developed based on each city's individual circumstances. The factors and trends listed below are offered as insights as members pursue strategies either on their own or collectively through ARCH.

Trust Fund Responsive to Changing Needs. During the ARCH workshops, there was consensus that the ARCH Housing Trust Fund should continue to address a range of housing needs for families, seniors, homeless persons, and persons with special needs. However, the Trust Fund should also be sensitive to emerging needs, including:

- **Very low-income households.** A high proportion of low-income households have incomes that are below 30 percent of median income. As a result, developments are encouraged that serve a variety of incomes, including units affordable at 30 percent of median income.

- **Senior assisted housing.** The number of elderly residents in East King County is increasing and will continue to increase as the baby boom generation ages. Much of this increased proportion of seniors will be among seniors over age 75. Therefore, we should seek opportunities to provide affordable housing for seniors with supportive services included.



Evergreen Court, DASH/SRI, Bellevue

- **Increasing cultural diversity.** There have been significant increases in ethnic and cultural diversity on the Eastside, especially among Asian and Hispanic populations. Housing programs should be culturally competent and address the housing needs of an increasingly diverse population.

Priorities of other public funders. Local housing providers leverage city funds with county, state, federal and private funds to provide affordable housing in East King County. Project proposals are influenced by the priorities of these other funders.

In recent years, the priorities of some of these other funders have included housing for:

- Very low-income households (30 percent of median and below).
- Those who are homeless.
- Special populations (such as large families and persons with disabilities).

Local understanding of other funders' priorities (and being involved when these priorities are established) is crucial to the success of our efforts.

Countywide and local efforts to address homelessness.

The Ten Year Plan to End Homelessness (2004) estimated that over 8,400 people in King County are homeless on a typical night. The 2009 One Night Count offers some hope that homelessness levels may be leveling off, but there are still an estimated 8,700 people homeless on a typical night.



In response, public and community-based organizations throughout King County have worked together through the

Committee to End Homelessness (CEH) *Petter Court, KITH, Kirkland* to develop *The Ten-Year Plan to End Homelessness in King County*, a proposal to provide the housing and services needed to end homelessness within the next decade. The plan focuses efforts around a “**housing first**” model that allows people to secure housing and then obtain needed services.

In tandem with the Ten-Year Plan to End Homelessness, government and community based agencies in East King County have developed the *East King County Plan to End Homelessness* that looks more specifically at needs and goals for the Eastside. This plan proposes a goal of developing 1,845 units of affordable housing by 2016, for homeless families, single adults, and youth and young adults.

Market Conditions. In the past, the private market has been able to provide (either on its own or with regulatory incentives) some amount of housing affordable to households with moderate incomes. However, little of that housing has offered entry-level homeownership opportunities or has provided rental housing for larger families or for low-income households.

In addition, if recent trends continue they will further challenge efforts to meet local affordable housing by private developers and/or affordable housing developers in ways such as:

- **Decreased affordability of new housing.** Based on annual ARCH surveys of new multi-family housing in East King County, fewer new market housing units are affordable to moderate-income households. There have been similar down cycles in the past, but this current trend has lasted longer than past cycles. If this trend continues, cities may need to be even more proactive to see continued production of moderate-income housing by the private sector.

- **Tight Market.** When properties do become available, a buyer often needs to be able to move quickly and/or make significant option payments. This can make it difficult for local affordable housing developers, as they generally must rely on public funding sources only available once or twice a year and that often takes several funding rounds to secure all the financing needed for a project. With the slowed real estate market, there has been some relief in needing to move quickly, but this has been off-set by tighter credit markets, and reduced state and local funds to finance new acquisitions.
- **Condominium Conversion.** Condominiums – both those created new and those converted from rental units – have provided entry-level homeownership opportunities to many Eastside households. However, the conversion of rental units to condominiums can make them unaffordable to existing tenants, and, by reducing the overall supply of rental housing, can contribute to a tighter rental market, and thus higher rents. While these impacts can be reduced by developing new rental housing, new rental housing will typically be more expensive than existing housing. An illustration of the magnitude of condominium conversions is Kirkland where approximately 22 percent (1,425) of the city’s 6,350 condominiums were converted from rental housing (ARCH, 2007). While condominium conversion may have slowed down in the past year, it is still a long term issue for communities in East King County.



Housing Demand from Employment

Housing demand from employment is expected to outpace new housing supply. Based on employment and housing targets for cities in East King County (as described in the Supply section), the demand for housing resulting from employment growth in East King

County could be 50 percent greater than the amount of housing currently planned.

As noted earlier, the Workforce Development Council of Seattle–King County (2007) reports that while some jobs on the Top 25 list provide good wages, more than 50 percent of vacancies pay a median wage of \$15 per hour or less.

Preservation. Preservation of existing housing is a primary source of affordable housing and has been actively supported through the ARCH Trust Fund. There are several distinct types of preservation opportunities:

- **Federally subsidized Section 8 Housing.** Over 460 such units have been preserved, but there are still approximately 160 units that are privately owned and potentially threatened as their federal affordability commitments expire.
- **Market rate rental housing.** Existing, market-rate housing—which often has low and moderate-income residents at risk of being priced out by rising rents—can be preserved as affordable housing. Local public and non-profit housing developers purchase and rehabilitate the properties and then set long-term rents affordable to a range of low and moderate-income households.
- **Manufactured housing communities.** While there are relatively few manufactured housing communities in East King County, they offer an affordable form of housing that is threatened by possible closure. Remaining communities are primarily located in the north part of the county.

To help local affordable housing groups compete in the market conditions described above, it may be necessary to be more flexible on how local funds are made available for preservation projects.

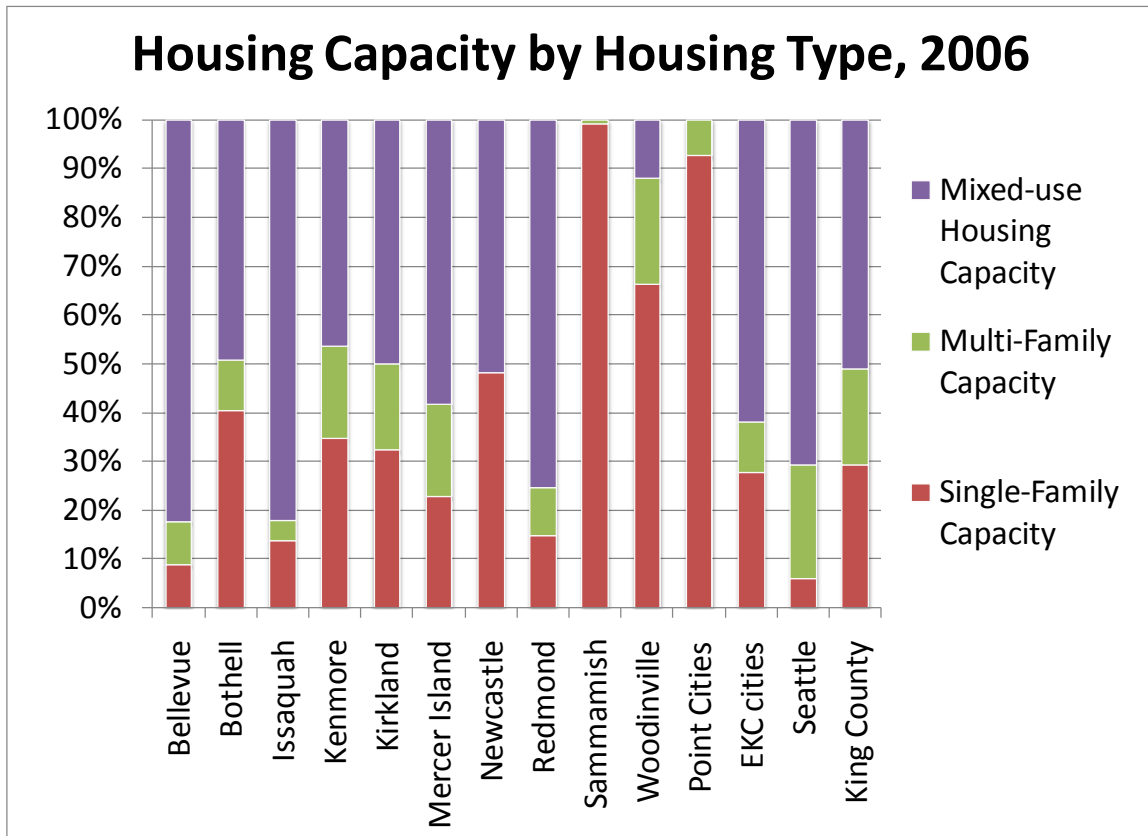
Residential capacity and housing in mixed-use zones. Local communities' ability to develop affordable housing depends in part on the amount of land available for housing.

- **Overall Capacity.** Housing production in East King County has generally been at or above GMPC's housing targets. Eastside cities currently have sufficient land capacity to meet 2031 housing targets (see Figure 10 on page 15). However, residential land capacity in several cities is relatively close to the housing target.



- Mixed-use Zone Capacity.** In East King County, over 50 percent of overall residential capacity and 80 percent of multi-family housing capacity exists in mixed-use zones. Success in meeting our overall housing needs will depend on our success in creating housing in mixed-use zones throughout the Eastside. Creating housing in these areas can also help support other community objectives, such as encouraging alternative modes of transportation and supporting development patterns that can realize savings in providing public infrastructure.

Figure 16



Source: King County (2007b).

COMMUNITY PARTNERS

One of the keys to success in addressing housing needs is the growth and success of our community partners. In the past decade, local non-profit housing groups have provided over a thousand housing units for families and individuals of all income and age levels. The capacity of these groups, and of the King County Housing Authority, continues to grow. Local efforts should also continue to support this growth.

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