

King County Housing Affordability

Understanding the Need

October 31, 2017



Recap of September Task Force Meeting

- > View from Olympia: Speaker Frank Chopp
- > Adopted rules and meeting schedule
- > Approved Standing Advisory Panel (SAP)
- > Reviewed draft work plan
 - > Request to address economic drivers of housing affordability challenges
- > Data grounding presentation and discussion: the scale and scope of the affordable housing challenge
 - > Request for more information on the cumulative gap between supply and demand for homes
- > Local Housing Authority perspectives: Meghan Hyla (KCHA), Andrew Lofton (SHA), Marc Gropper (RHA)

Defining Affordability



Defining Affordability: Household Income



HUD produces their own estimates of **Area Median Income**, or **AMI**, to benchmark and segment households based on incomes. HUD's AMI is for all of King and Snohomish counties combined.



A **household** is a family or any group of people occupying a home. Household income segments are expressed as a percentage of AMI.



Housing needs vary by family size. HUD produces an AMI for **different family sizes**. HUD uses these benchmarks to determine suitability for key housing programs. They are then also used by other public housing programs.

Area Median Income Benchmarks

HUD 2017 Household Income Limits

	1 Person	2 People	4 People
30% Area Median Income			
Household Income	\$20,200	\$23,050	\$28,800
Corresponding Monthly Rent Limit	\$505	\$576	\$720
50% Area Median Income			
Household Income	\$33,600	\$38,400	\$48,000
Corresponding Monthly Rent Limit	\$840	\$960	\$1,200
80% Area Median Income			
Household Income	\$53,760	\$61,440	\$76,800
Corresponding Rent Limit	\$1,344	\$1,536	\$1,920
Estimated Corresponding Purchase Price	\$261,300	\$298,600	\$373,300
125% Area Median Income			
Household Income	\$84,000	\$96,000	\$120,000
Corresponding Rent Limit	\$2,100	\$2,400	\$3,000
Estimated Corresponding Purchase Price	\$408,300	\$466,600	\$583,300

> HUD's AMI for 4 people in the King-Snohomish area for 2017 is set at \$96,000

Many types of households struggle with housing costs



3 person HH at 30% AMI

- > **Cashier** earning \$25,410*, \$12.20/hr
- > **Home health aide** earning \$25,864, \$12.40/hr



2 person household under 80% AMI

- > Full-time **taxi driver** earning \$26,340 *plus* **childcare worker** earning \$26,038
- > Full-time **welder** earning \$48,548
- > **Retired couple** earning \$42,200 in pensions



2 person HH at 50% AMI

- > **Teacher** earning \$37,447
- > **Restaurant cook** earning \$30,281



4 person household under 80% AMI

- > **Biologist** earning \$76,900
- > **Accountant** earning \$69,940
- > Full-time **office clerk** earning \$37,566 *plus* full-time **security guard** earning \$32,427

**All salaries represent the median annual salary for the occupation in King and Snohomish Counties as reported by WA ESD 2017*

Cost Burden

Cost burden is a measure of whether or not housing is affordable. Cost burden is both a concept and a data term.

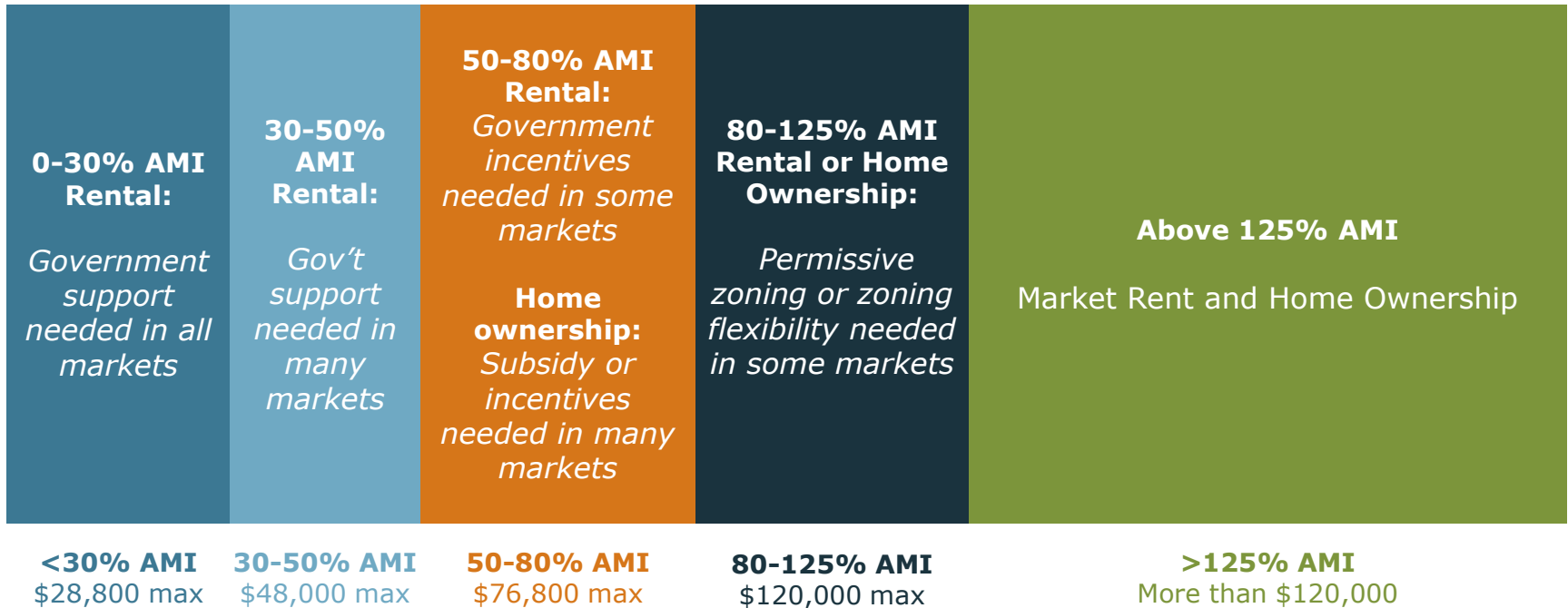


HUD determines a household to be **cost burdened** if the household spend **more than 30% of their income** on housing

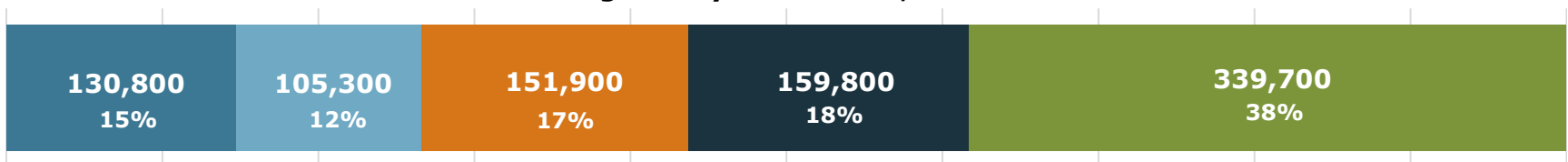


Households that spend more than **50%** are also considered **severely cost burdened**

Lower housing costs require greater government intervention



King County Households, 2017



Sources: HUD, 2017; US Census Bureau, ACS 2015; CAI, 2017

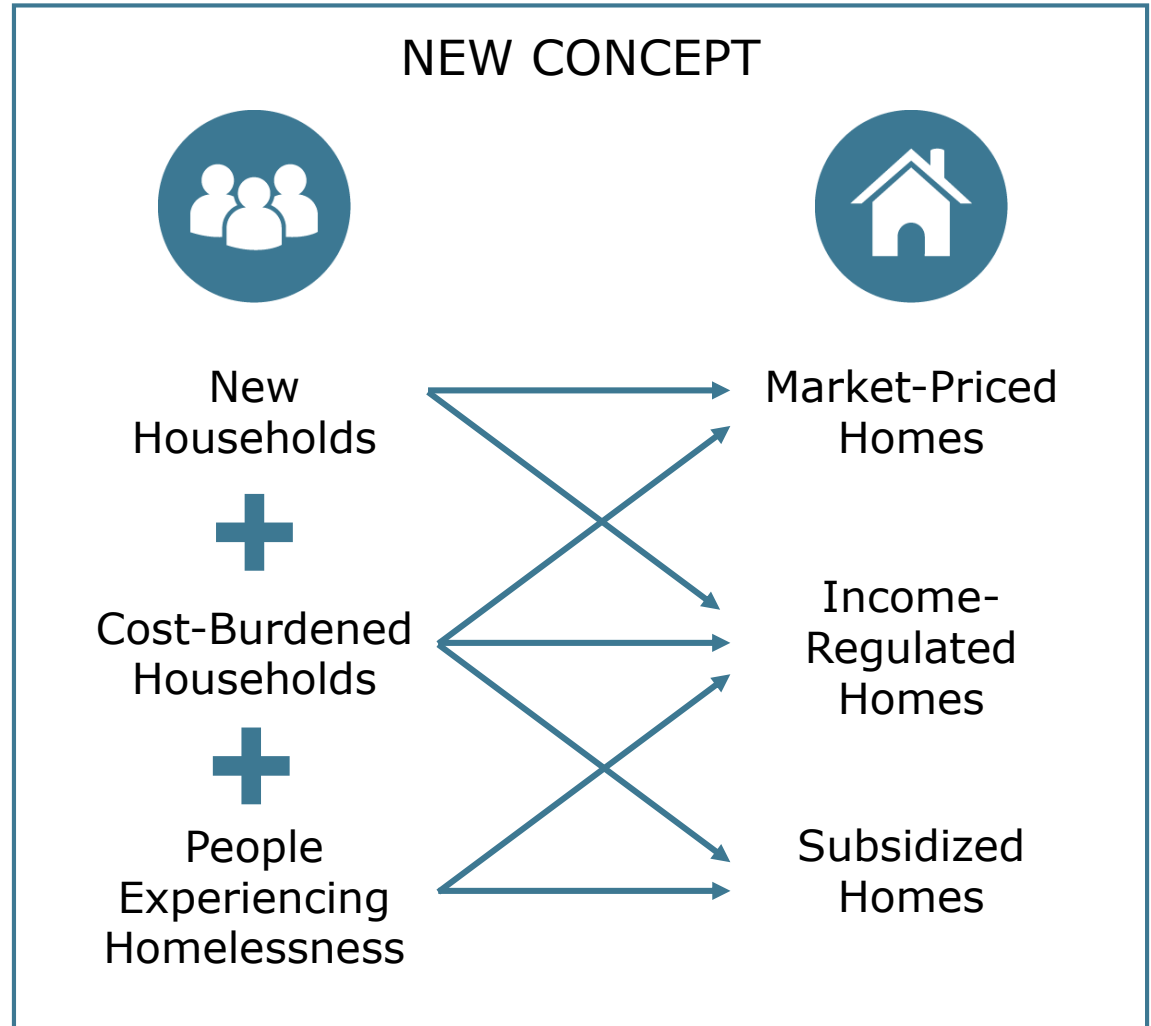
Discussion Break



The Countywide Need



How big is the problem? What is the countywide need?

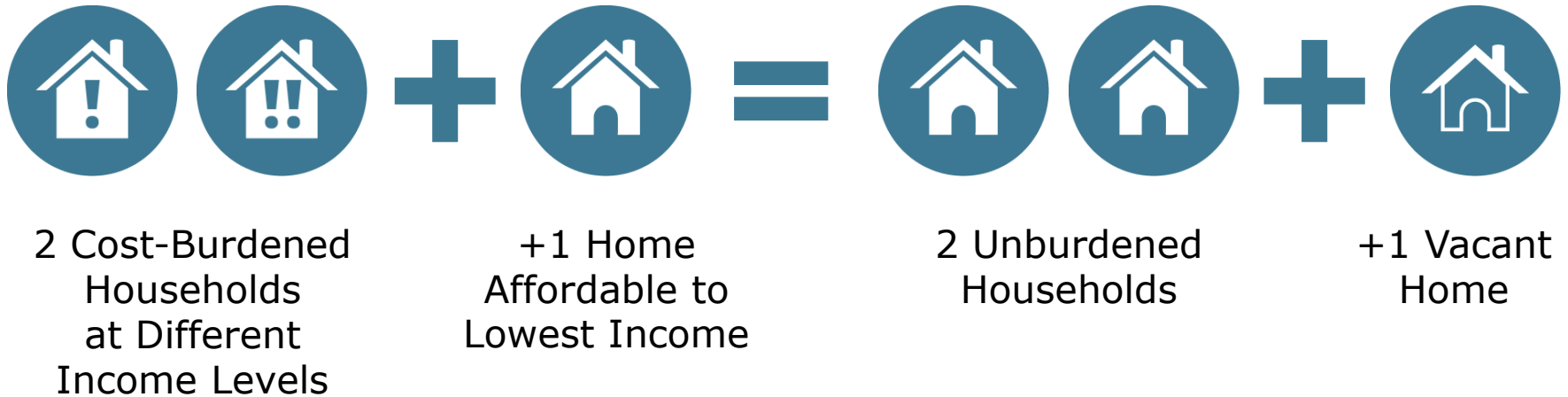


290,100 Households (1 in 3) in King County are Cost-Burdened in 2017.



AMI	Cost-Burdened Households	Severely Cost-Burdened Households	All Cost-Burdened Households
0-30% AMI	25,400	75,700	101,100
>30-50% AMI	43,300	28,900	72,200
>50-80% AMI	53,900	13,100	67,000
>80-125% AMI	32,200	3,500	35,700
+125% AMI	12,600	1,500	14,100
All Incomes	167,400	122,700	290,100




Model Assumptions Made to Define the Need



- Creating more housing priced for lower-middle income households to move into will open vacancies at middle levels and ease price pressures
- Providing housing for the lowest incomes may simply replace dilapidated housing
- Providing more housing for upper incomes does not help lower incomes

King County Requires 156,000 new homes to address countywide need for today alone (not including continued growth).

TODAY'S CHALLENGES

	Household by Type	Estimated Homes Required
	11,600 People Experiencing Homelessness	9,700
	122,700 Severely Cost-Burdened Households	75,700
	167,400 Cost-Burdened Households	70,200

290,100 Households &
12,000 Experiencing
Homelessness



Requires
156,000
Homes in 2017

King County requires 244,000 new homes to address the countywide affordable housing need by 2040.

Income Segments	Households
0-30% AMI	29,700
31-50% AMI	23,900
51-80% AMI	34,500
81-125% AMI	36,300
> 125% AMI	77,100
<hr/>	
Total Growth	201,500

ADD GROWTH
2017-2040

88,000
Households @
80% AMI or lower


156,000
Homes Required
for 2017 Alone



Requires
244,000
Homes by 2040

Discussion Break



Countywide Market Drivers and Indicators



Many factors of supply and demand affect the price of housing.

DEMAND



Incomes and income inequality



Growth of households and jobs



Household sizes and composition

SUPPLY



Available **inventory** on the market



Net new **development**



Vacancy rates



Development costs

The number of homes available for purchase has declined steadily since the recession.

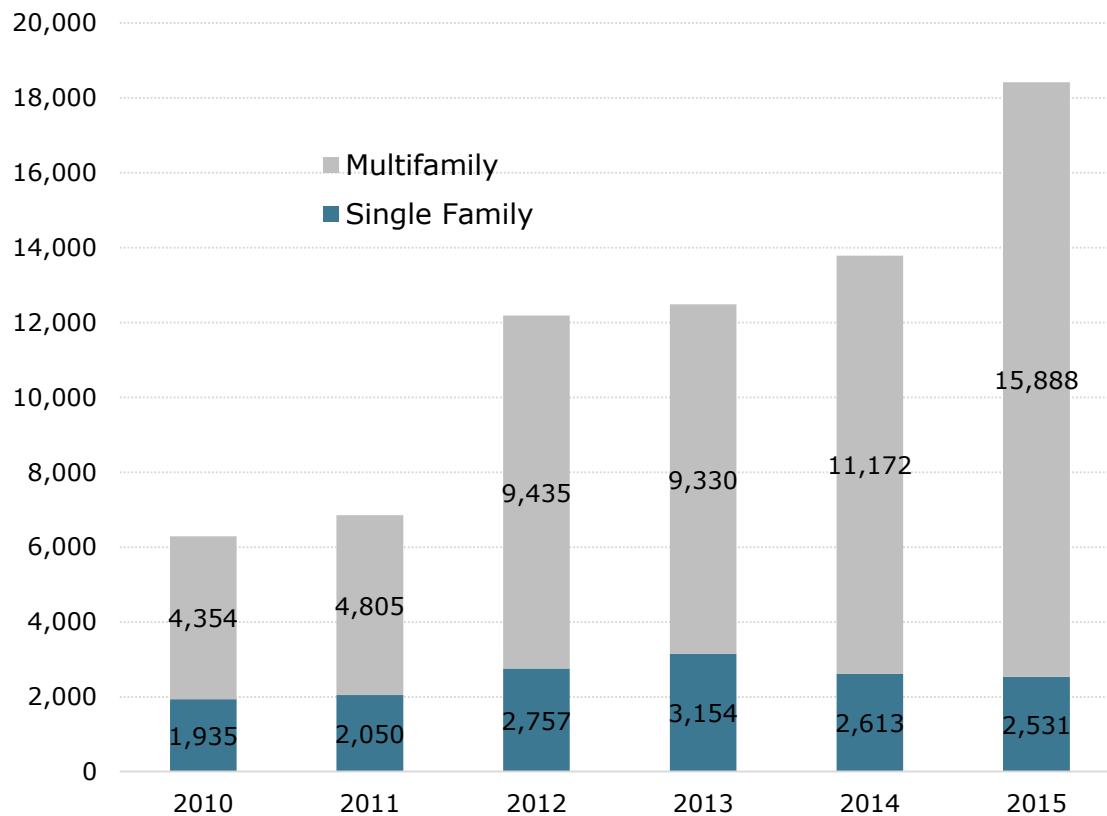


> Source: Zillow, 2017



More permits have been issued than homes built.

King County
Newly-Permitted Units, 2010-2015

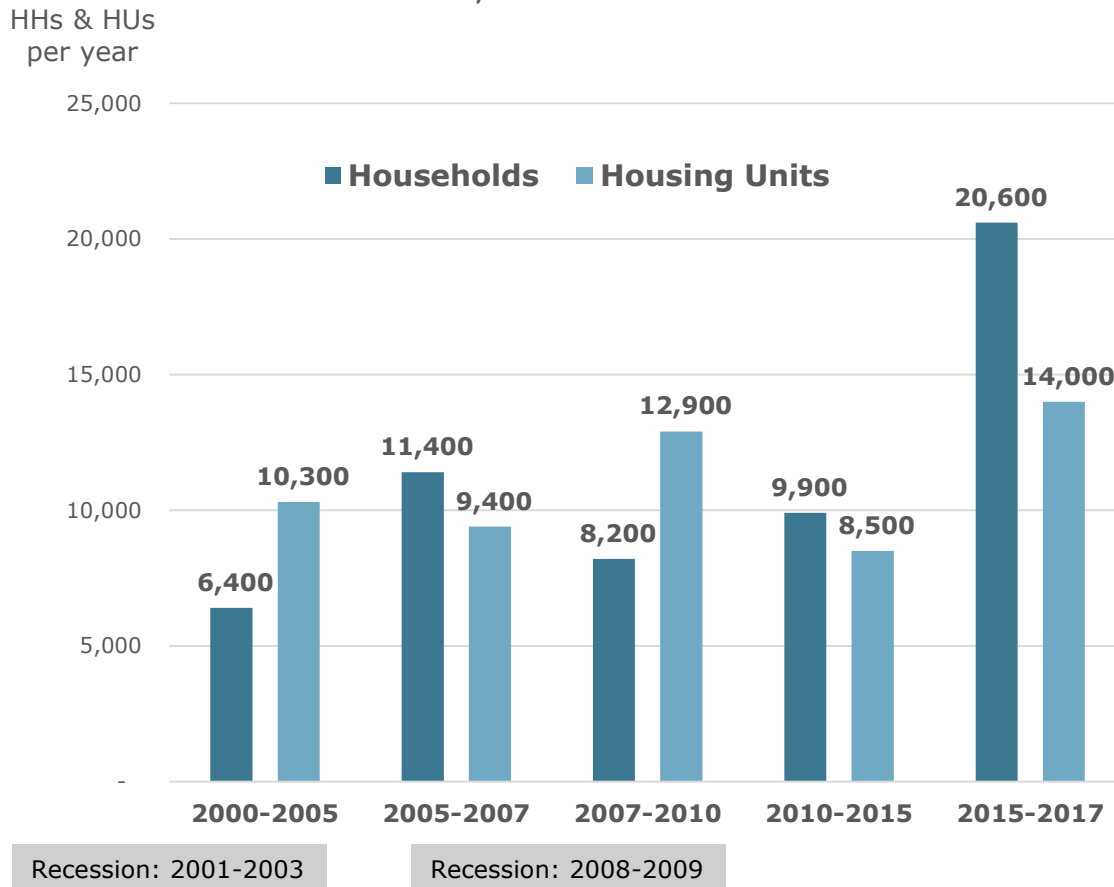


- > Permitted does not mean built
- > Large multifamily building may take several years between permit and occupancy
- > Developers can renew, extend, and cancel permits while deliberating construction timing
- > Double-counting inherent in the data from year to year

Source: PSRC, 2017

Housing development has struggled to keep pace with dramatic population growth.

King County
Annual Change in Households and Housing Units, 2000-2017



The past two years have seen unprecedented growth in each of the following in King County

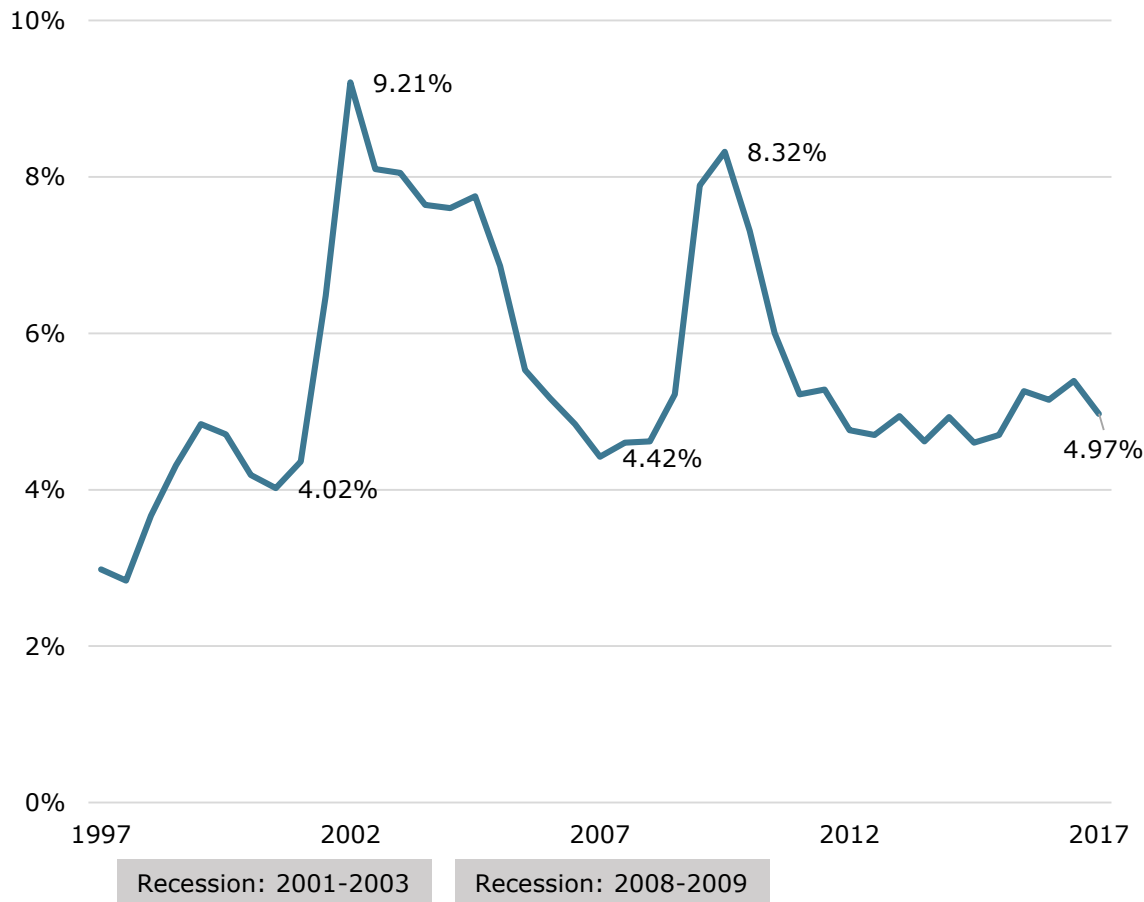
- > net new households
- > housing units built
- > gap in household increases over units built

Source: OFM, 2017



Rental vacancies have been very low for several years.

King County
Average Vacancy, 20+ Unit Buildings, 1997-2017



Source: Dupre & Scott, 2017

- > Variations in vacancy have been wider compared to variations in rent from 1997 to 2017.
- > Vacancy has remained very low since 2012.

Developments costs play a role in determining price.



Land and site acquisition



Financing costs



Hard costs



Design-driven costs



Soft costs

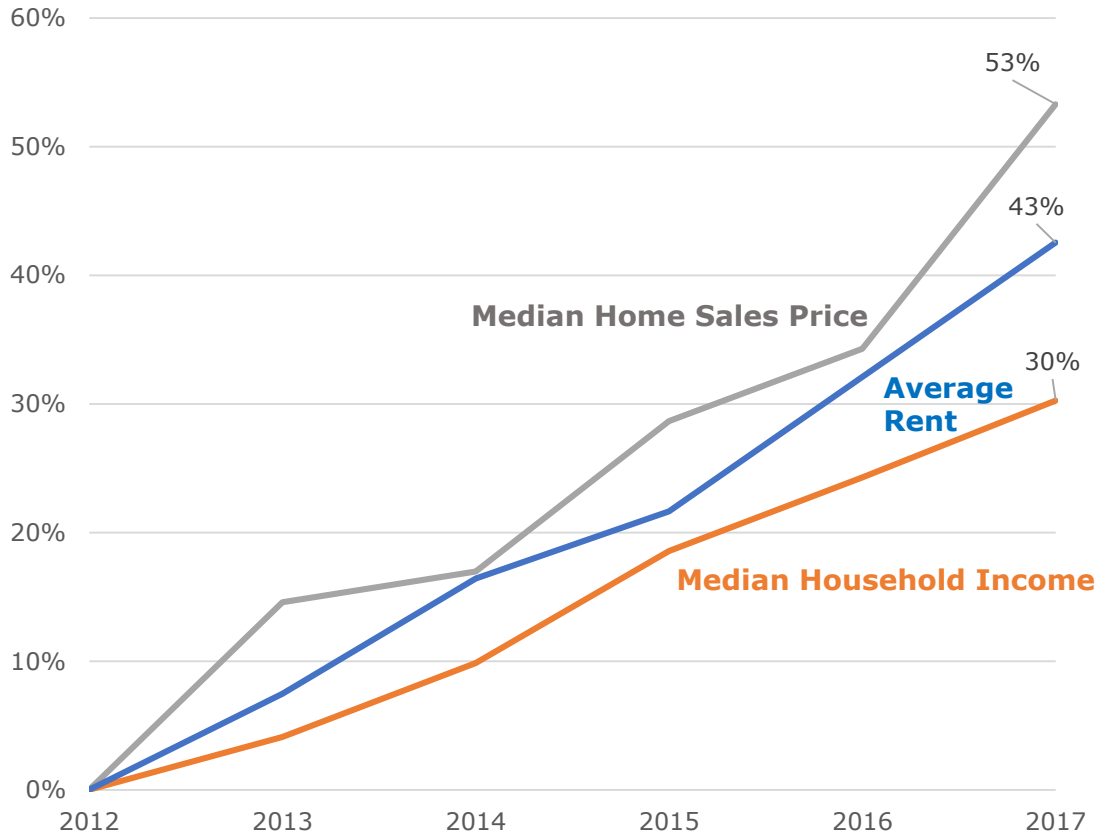


Permit and approval time

Since 2012, home prices and rents have increased steadily and more rapidly than median incomes, countywide.

King County

2012-2017 Cumulative percentage change in median home prices and household incomes



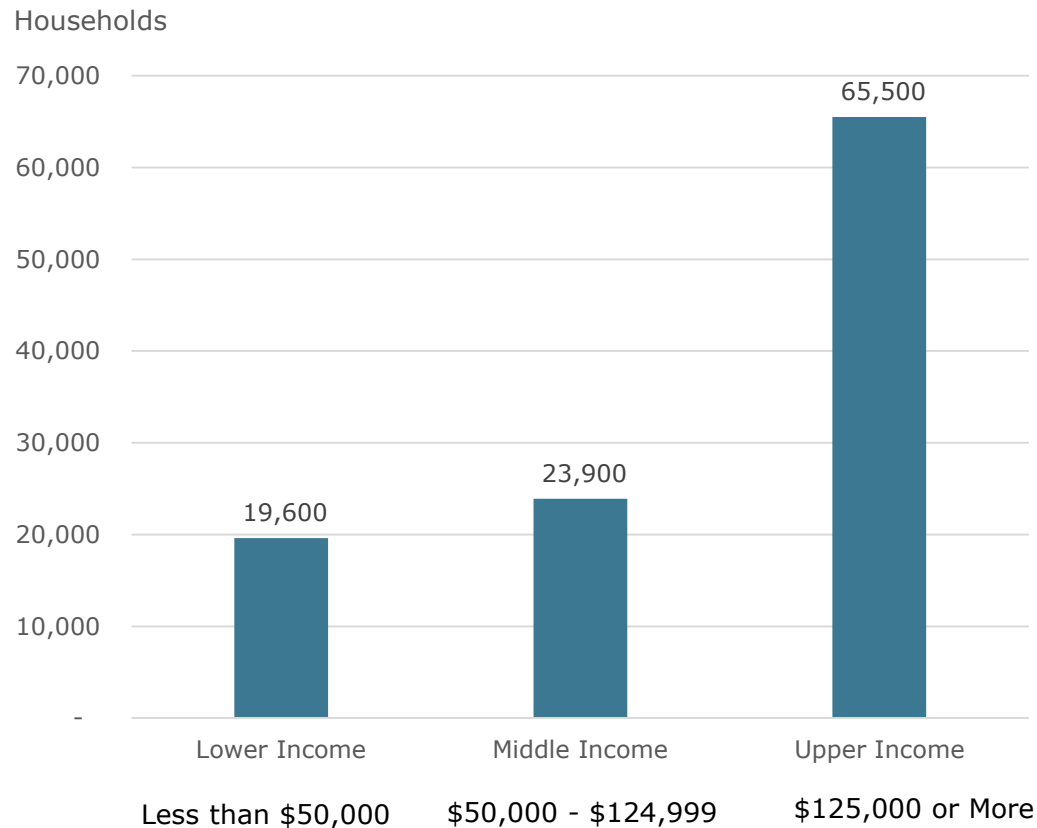
Note: Median rent not available for direct comparisons

> Sources: Zillow, OFM, Dupre+Scott, CAI 2017



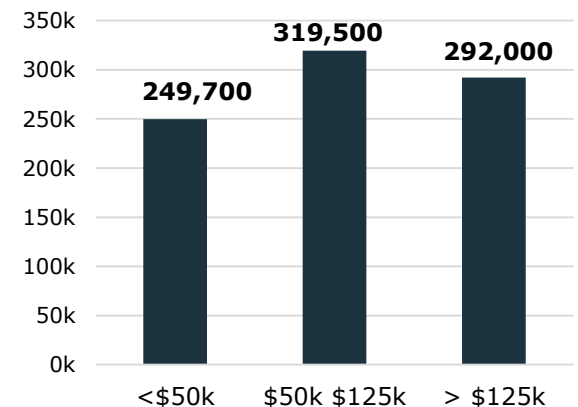
Countywide growth in households has included upper income households more than middle and lower incomes.

Change in King County Households, by Income Range, 2006 - 2016



- > Higher income households have increased substantially more than the number of lower and middle income households, since 2006.
- > The data have been adjusted for inflation.

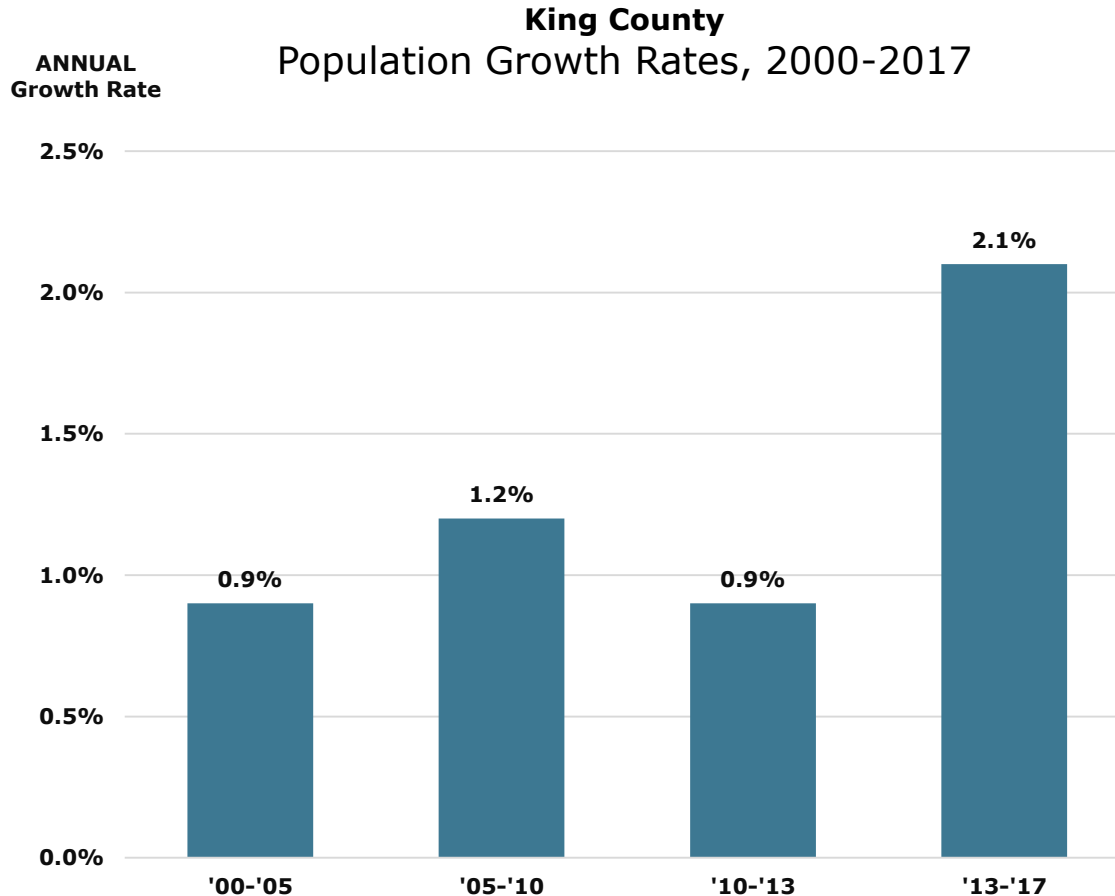
All King Co. Households, by Income, 2016



Sources: US Census Bureau, ACS 1-Year Estimates; Community Attributes 2017



King County population grew much more rapidly in past few years than in years prior.

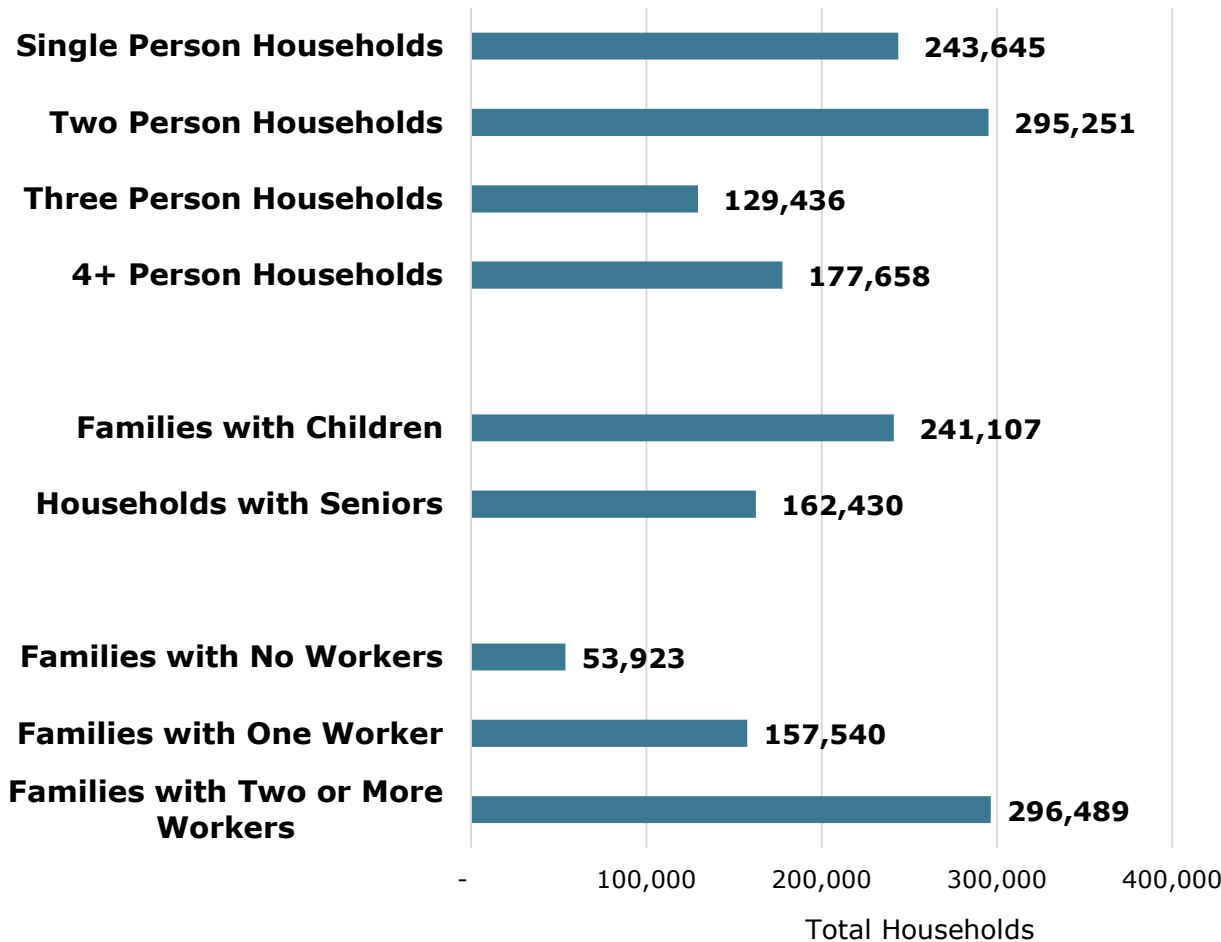


- > King County's population has grown more rapidly in the past four years.
- > This growth puts market pressure on housing prices.



The number of workers, children and seniors in a family affect household costs.

King County
Household Characteristics, 2015

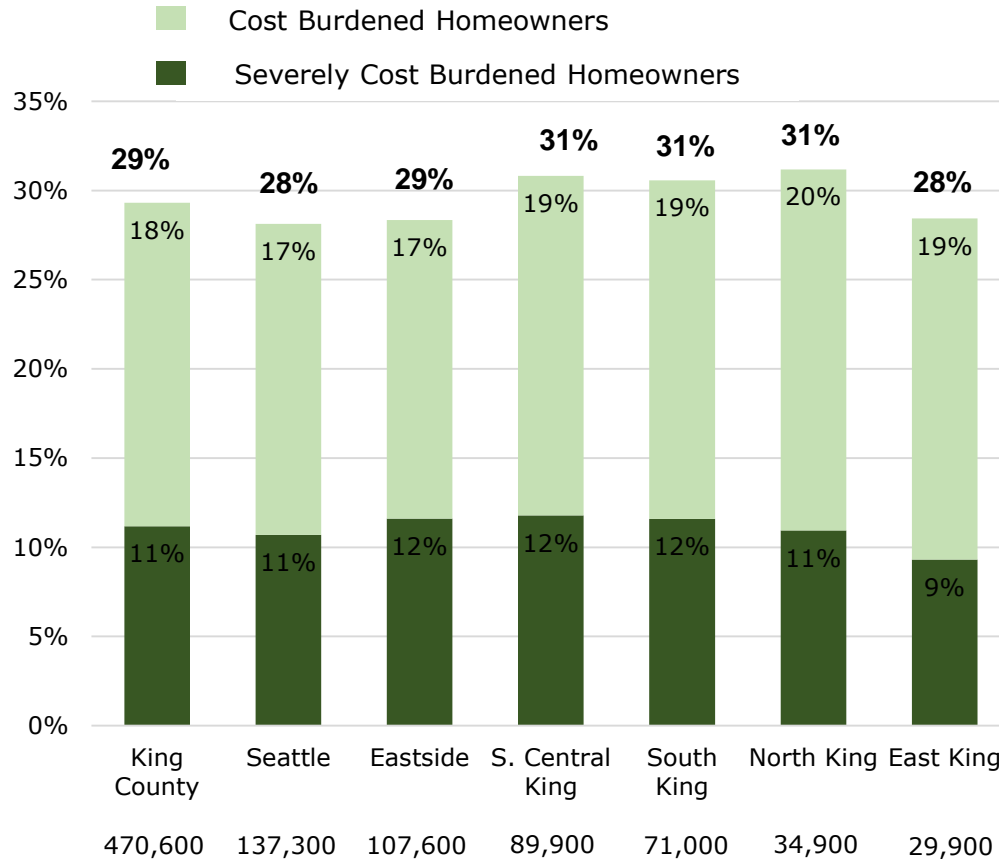


Households and families in King County have a broad array of needs:

- > 157,500 families have just one worker
- > 53,900 families have no workers
- > 162,400 households have seniors
- > 241,100 households have children

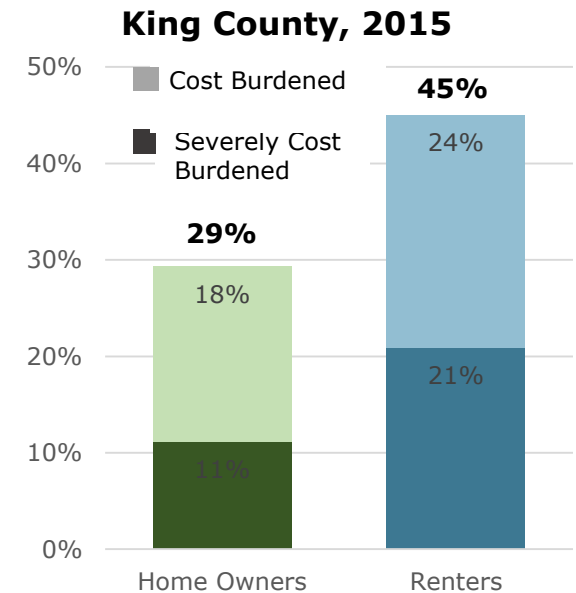
Housing Cost Burden

King County
 % of Owner Households Homeowner Cost Burden by Region, 2015



> 45% of renters are cost burdened, countywide, compared to 29% of homeowners.

> South King and North King areas have slightly greater share of cost-burdened owners.



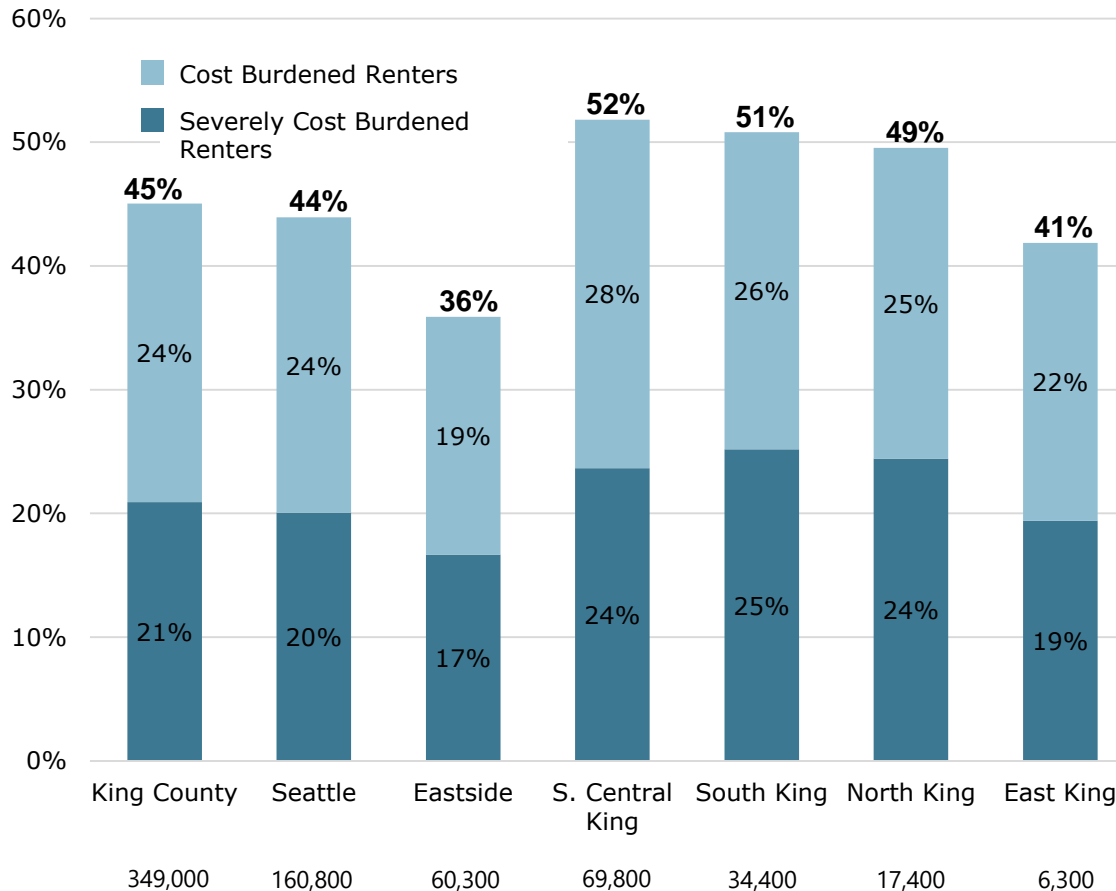
Sources: US Census Bureau, ACS 2015 5-Year Estimates; Community Attributes 2017

Housing Cost Burden

Renter Cost Burden

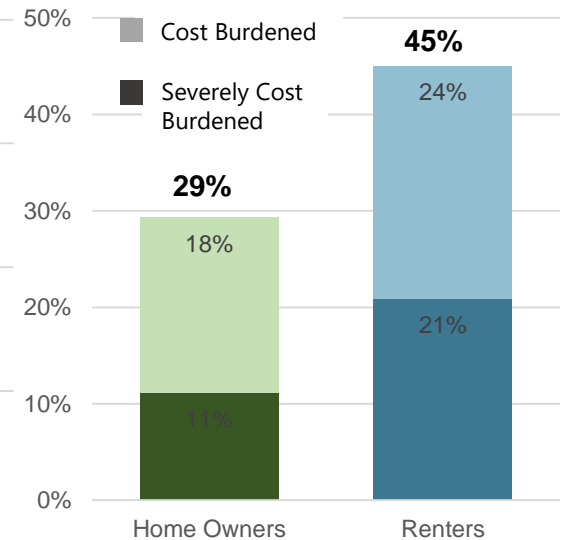
% of Renter Households

King County
Renter Cost Burden by Region, 2015



> Among renters, South Central King, South King, and North King have noticeably higher shares of Cost Burdened Households.

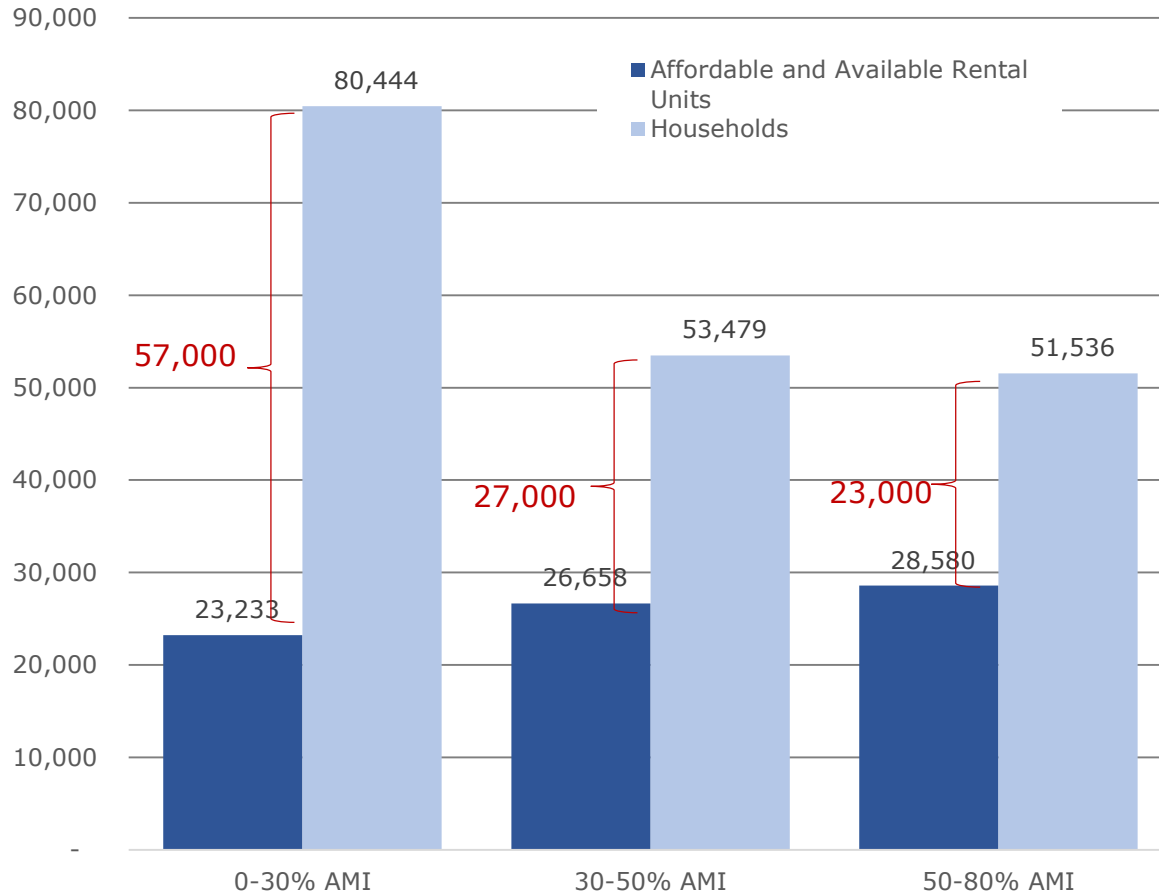
King County, 2015



Sources: US Census Bureau, ACS 2015 5-Year Estimates; Community Attributes 2017

The supply of rental units does not meet the needs of lower income households.

Housing Units & Households



- > Rental prices matched to households' ability to pay at 30% of household income.
- > Reflects analysis by King County staff (2014 data).

Discussion

